# AQUITAINE
## COMPANY OF CANADA LTD.
## 1978 ANNUAL REPORT

# Contents



**Cover caption:**

*Aquitaine's Grey Owl Creek well drilling in the Alberta foothills during the fall of 1978.*

**AQUITAINE COMPANY OF CANADA LTD.**

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# The Company



Aquitaine Company of Canada Ltd. (Aquitaine) is a public company engaged in exploration for oil and gas and hardrock minerals in Canada and the United States. It produces oil, gas liquids, gas and sulphur in Alberta and northwest United States and coal in Pennsylvania.

The Company was incorporated in 1963. In 1964 it acquired a minority share interest in Banff Oil Ltd., a small Canadian exploration company with which it then entered into joint oil and gas exploration. The team made its first discovery at Rainbow Lake in northern Alberta in 1965. The discovery developed into a major oilfield, and was followed by major gas discoveries in the Strachan and Ricinus areas of west-central Alberta in 1968 and 1969.

Incorporated as a wholly owned subsidiary of Société Nationale des Pétroles d'Aquitaine (SNPA) of France, the Company went public in 1968. It acquired all of the business and properties of Banff Oil in 1971. In early 1975 it purchased Westrans Industries, Inc. (now Aquitaine Pennsylvania, Inc.) a company primarily engaged in coal production in Pennsylvania.

The Company's parent SNPA changed its name to Société Nationale Elf Aquitaine (SNEA) in 1976 as part of a reorganization involving its own parent, Entreprise de Recherches et d'Activitiés Pétrolières (ERAP), a French agency whose trade name Elf is associated with world wide oil and gas operations. In the same year the Company acquired the Canadian subsidiary of ERAP, Elf Oil Exploration and Production Canada Ltd., which had been one of the earliest oil explorers in northern Canada.

The Company's shares are now held approximately 4% by investors in the United States and other countries, 21.2% by investors in Canada, and 74.8% by SNEA in France. SNEA in turn is owned approximately 75% by ERAP, with the balance widely held. SNEA shares are listed on the Paris and Brussels stock exchanges. The Company's shares are held by approximately 6,100 registered shareholders and are listed on the Montreal, Toronto and American stock exchanges.

Aquitaine has wholly owned subsidiaries engaged in coal mining (Aquitaine Pennsylvania, Inc.), and in oil and gas exploration, and minor production, in the United States (Al-Aquitaine Exploration, Ltd.). Aquitaine also owns a one-third interest in Rainbow Pipe Line Company Ltd. which owns the oil pipeline connecting Rainbow Lake and Edmonton. Aquitaine holds a 23% interest in the new Stolberg sour gas pipeline in Central Alberta. It is also the operator of this pipeline which connects the Nordegg and Stolberg gas fields to the Ram River gas processing plant.

The Company owns the Aquitaine Tower, a modern 20-storey office building in Calgary where the Company's head office is located. It is currently building another 20-storey office building on adjacent land with the completion date scheduled for late 1979.

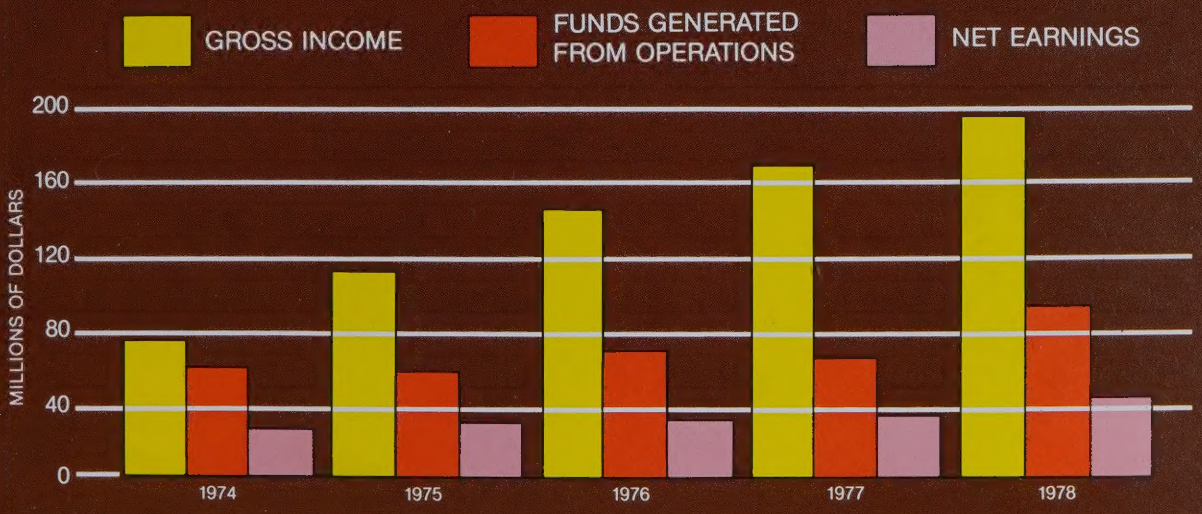
In 1978 the Company had income of $194 million, funds from operations of $91 million and net earnings of $41 million. In 1978 it produced and sold, after royalties, 5.8 million barrels of oil and gas liquids and 33.6 billion cubic feet of natural gas. The Company sold 545 thousand long tons of sulphur and 1.3 million short tons of coal. It has 418 employees in Alberta, 653 in Pennsylvania, 13 in Colorado and two in Switzerland.

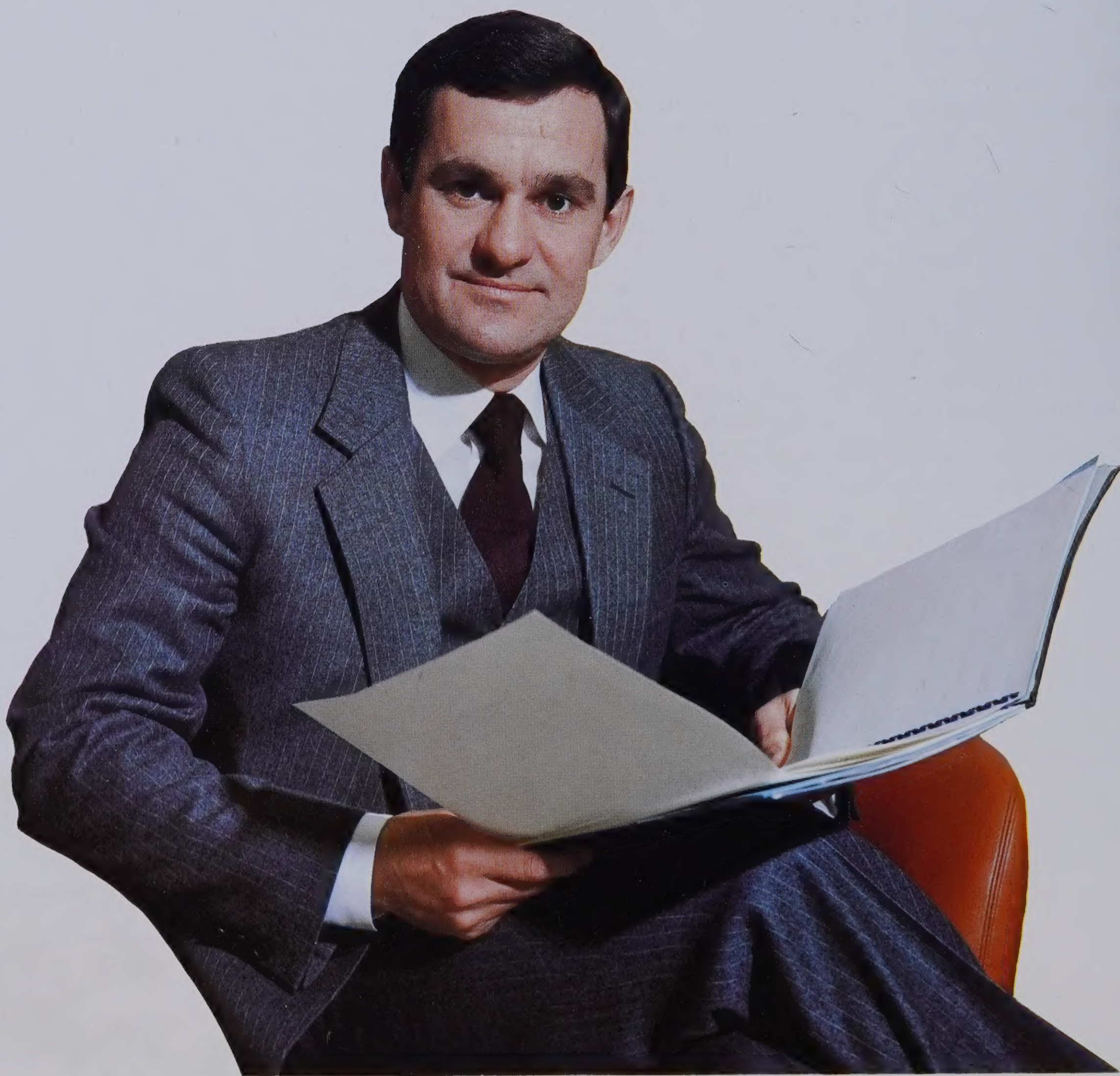
# Comparative Highlights



| **FINANCIAL** (in thousands except per share amounts) | **1978** | **1977** | **% Change** |
|---|---|---|---|
| Sales and other income | **$193,919** | $163,787 | +18 |
| Net earnings | **40,914** | 35,962 | +14 |
| Per share | **$1.90** | $1.67 | +14 |
| Income taxes and royalties to governments | **132,782** | 119,556 | +11 |
| Per share | **$6.16** | $5.55 | +11 |
| Funds generated from operations | **90,718** | 62,738 | +45 |
| Per share | **$4.21** | $2.91 | +45 |
| Capital expenditures | | | |
| Oil and gas | **79,178** | 33,730 | +135 |
| Coal | **17,567** | 27,344 | −36 |
| Mining | **1,849** | 1,521 | +22 |
| Other | **2,371** | — | — |
| Working Capital | **30,899** | 24,995 | +24 |

| **OPERATIONS** | | | |
|---|---|---|---|
| Sales (net after royalties) | | | |
| Oil and gas liquids | | | |
| Thousands of barrels per day | **16.0** | 17.0 | − 6 |
| Gas | | | |
| Millions of cubic feet per day | **92.1** | 104.8 | −12 |
| Sulphur | | | |
| Annual — thousands of long tons | **545** | 473 | +15 |
| Coal | | | |
| Annual — thousands of short tons | **1,264** | 1,248 | + 1 |
| Acreage holdings (thousands of acres) | | | |
| Gross | **58,787** | 76,763 | −23 |
| Net | **25,501** | 33,639 | −24 |
| Gross reserves | | | |
| Oil and gas liquids — millions of barrels | **126** | 132 | − 5 |
| Gas — billions of cubic feet | **722** | 672 | + 7 |
| Sulphur — millions of long tons | **11** | 12 | − 8 |
| Coal — millions of short tons | **68** | 56 | +21 |





Aquitaine marked its tenth anniversary as a public company in 1978. Our Company recorded its best financial performance in its history with net earnings and funds generated from operations up 14% and 45%, respectively, compared with 1977. These results are attributable to higher prices received for oil, gas and sulphur and to a reduction in income taxes.

For the first time total capital expenditures exceeded $100 million. Aquitaine's land and exploration expenditures increased 130% in 1978 to exceed $63 million. The return to date from this aggressive exploration policy is the addition of more than two years production to our gas reserves. Our plans for 1979 are to maintain the same high level of activity with a view to adding further to our reserves. Specifically in Alberta, we shall emphasize drilling and land acquisition programs.

We are generally encouraged by government action concerning oil and gas exploration and look forward to continued support through these programs. However, we remain concerned by the high level of oil royalties levied by the Alberta government. At the Rainbow Lake oilfield approximately one-half of our production goes to the government in royalties. These revenues could otherwise be directed to increased exploration for and development of new oil and gas reserves and other energy sources.

Federal tax incentives encourage exploration on our frontier lands. Aquitaine will be concentrating activity in the Beaufort Sea, and in the Hazen and Davis Straits. As well, we shall participate in a minimum of four wells on the Labrador Shelf over the next 12 months.

Aquitaine has entered into a long term agreement with another company to process natural gas from the Limestone field at the Ram River plant. This will provide an additional income source when processing commences in 1980 and will permit the plant to operate at an even more efficient level. Such processing agreements illustrate the value of our Ram River plant investment.

During the year Aquitaine made an offer of approximately $23 million for all of the outstanding shares of Universal Gas Co. Ltd. Late in the year, we received approval from the Foreign Investment Review Agency for the takeover which has now been completed. This acquisition has added substantial amounts of natural gas to our reserves and 427,000 net acres to our land holdings.

In the past year the coal industry in the eastern United States experienced troubled times. We were not alone in suffering the effects of the mine workers' strike and weak markets. During the first half of 1979 we will complete our capital expenditure program, but our Company will not get any benefit from its investments in the coal industry until a significant market recovery occurs.

The Company is in a strong financial position with a low level of debt and a large annual cash flow. We will continue to strengthen our position in conventional areas through exploration and acquisition. As well, we are assessing the potential for heavy oil production on our acreage and studying production technology.

The Company now has 1,086 employees and on behalf of the Board of Directors I want to thank them for their hard work and continuing efforts that have made possible the successes of 1978.

The members of the Board would also like to express their gratitude to Jacques Payan for his dedication to the Company during the nine-year term he served as president.

B. F. Isautier
President

# Sales



## Summary

Income, after royalties, from sales of oil, gas liquids, gas and sulphur increased by $19 million or 15% to $144.3 million as the result of higher prices for oil and gas and both higher prices for and increased sales of sulphur. Sales of oil and gas liquids were $71.1 million, up 12%; gas $53.9 million, up 11% and sulphur $10.6 million, up 40%. Income from coal sales increased 33% to $44 million (23% to $38 million in terms of U.S. dollars).

## Oil and Gas Liquids

The continuation of the federal and provincial pricing agreement in 1978 resulted in Aquitaine receiving price increases of $1.00 a barrel on both January 1 and July 1. The wellhead price for the Company's Canadian oil and gas liquids increased by 19% to $12.15 per barrel, of which the government received $5.77 as royalty. The average wellhead price obtained for U.S. production was $14.45 in terms of Canadian dollars. Royalties ranged from 12.5% to 17% on U.S. production.

## Gas

The Company's gas sales, which averaged 145.5 million cubic feet a day, before royalties, were down 7% from the year before. Sales, after royalties, declined 12% to an average 92.1 million cubic feet compared with 104.8 million cubic feet a day in 1977. This decrease was due to declining production from the Strachan field. The Ram River plant provided 92.5% of Aquitaine's sales gas production.

Income, before royalties, from the sale of gas amounted to $83.5 million for an average price of $1.57 per thousand cubic feet. The price at the beginning of 1978 was $1.46 per thousand cubic feet. The average royalty rate on Aquitaine gas in 1978 was 35%.

## Sulphur

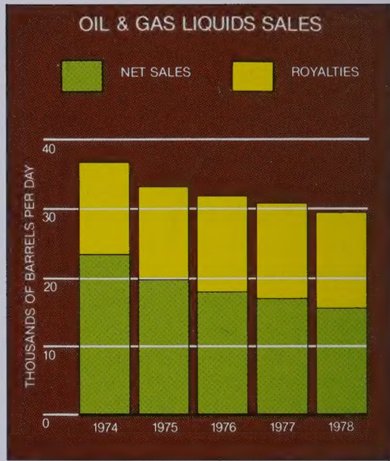
Sales of Canadian sulphur continued to rise in 1978 with offshore exports reaching a new high. The outlook for 1979 remains extremely good as a result of very heavy world demand which started in mid-1978.

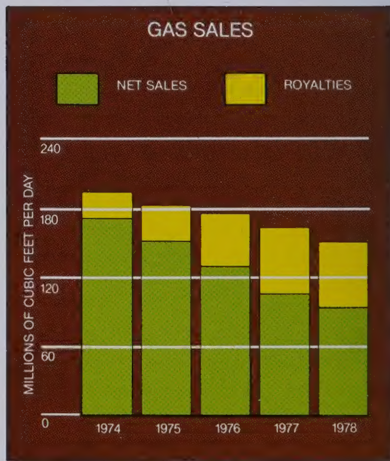
Aquitaine's net sales volume of sulphur increased by 15% to 545,000 long tons. The average price per ton was $19.35, up 21% from the 1977 average of $15.97. Gross income, before royalties, from sulphur sales amounted to $12.2 million. Royalties on sulphur averaged 13%.

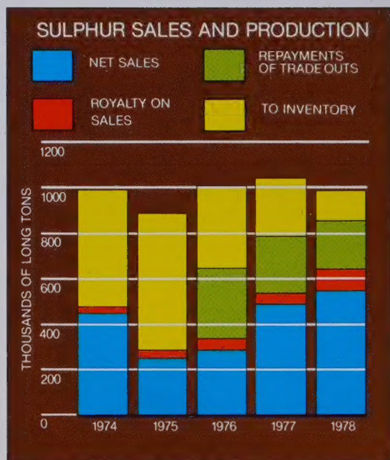
## Coal

Apart from a short period in the second quarter when steel producers replenished their coal inventories following the miners' strike, the market for metallurgical coal remained relatively soft throughout the year. The steam coal market, however, continued to be somewhat stronger. The Company is making every effort to arrange long-term contracts that allow for satisfactory price escalations for the sale of its steam coal production. It is also continuing in its efforts to find better markets for its metallurgical coal production.

The average price to the Company for the 1,264,000 short tons sold was $30.33 U.S. per ton compared with $24.89 in 1977.



# Exploration



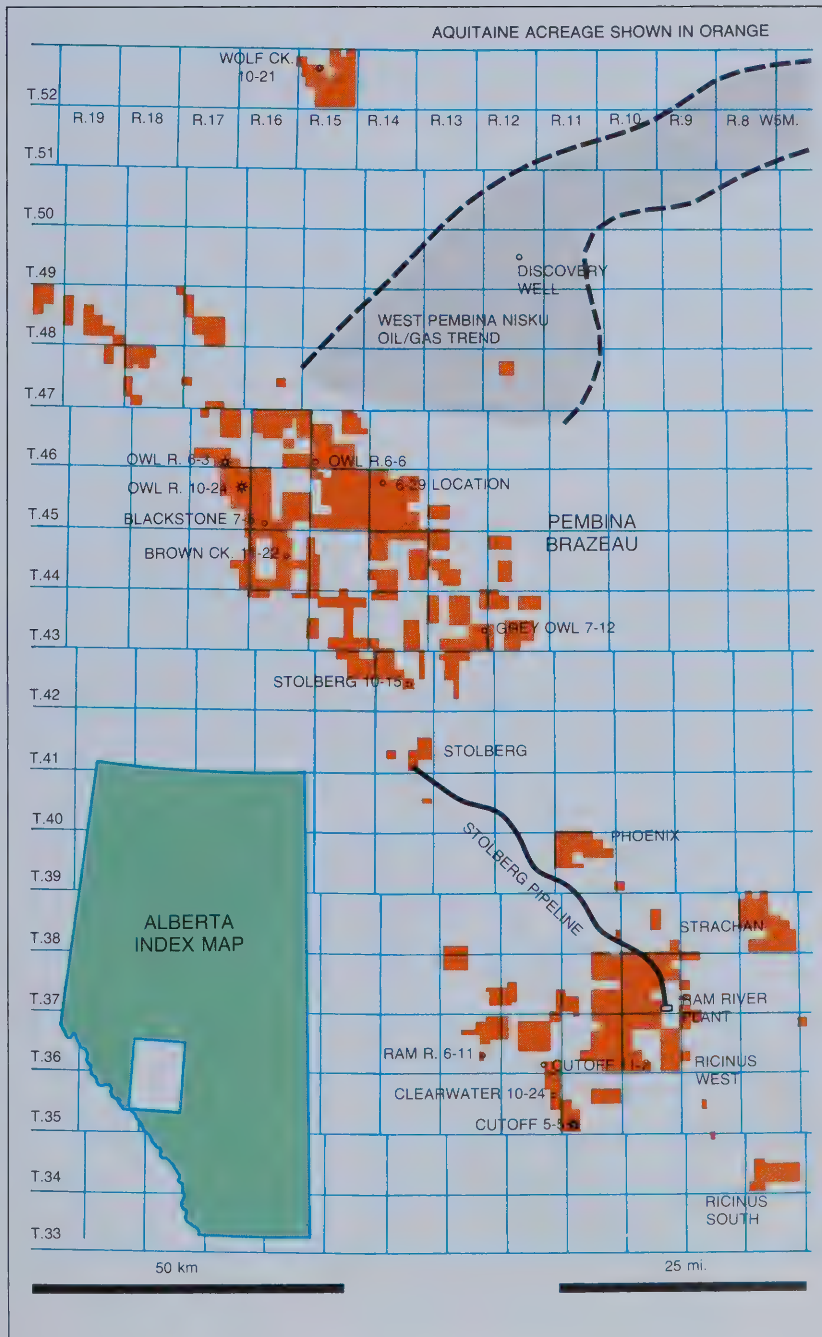
### Summary

In 1978, Aquitaine's main exploration efforts were concentrated on conventional areas, particularly the Alberta foothills and deep basin prospects. Approximately two-thirds of the Company's oil and gas exploration expenditures of $63 million were spent on conventional areas, the balance being allocated to frontier areas. The Company obtained good exploration results in the Gold Creek-Elmworth trend in 1978.

During the year, Aquitaine and its wholly-owned U.S. subsidiary, Al-Aquitaine Exploration, Ltd., participated in drilling 114 exploration and development wells, 32 of which resulted in oil wells, 26 in gas wells, 30 were abandoned, and 26 were drilling or suspended at year's end. Of this total, the cost of 20 wells was borne by other parties. These wells resulted in seven discoveries and nine dry holes. Seventeen of the total 114 were development wells of which 14 were successful completions. In addition, an evaluation program of the Company's heavy oil prospect at Cold Lake, Alberta, resulted in ten shallow test wells being drilled.

### Alberta

In Alberta, the Company maintained its high level of exploration activity in areas offering potential for significant additions to its oil and gas reserves. These are in the Alberta foothills and in the Pembina-Brazeau and Gold Creek-Elmworth areas of the deep basin. Aquitaine participated in a total of 52 exploratory wells, acquired 26,700 net acres under licence and lease from the Crown



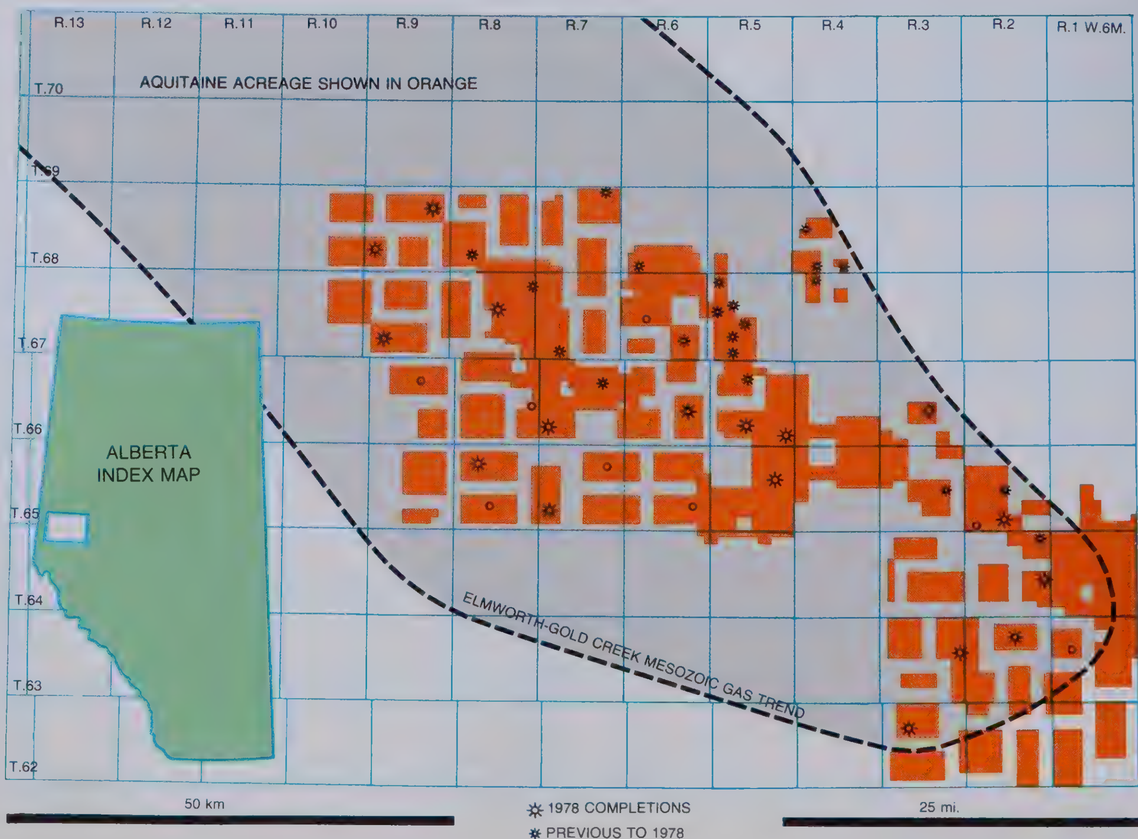

**PEMBINA-BRAZEAU-RAM RIVER**
**1978 DRILLING ACTIVITY**

and carried out an extensive program of seismic acquisition in the province during the year.

In the Alberta foothills, the Company has a 50% interest in a Mississippian gas discovery at Cutoff Creek north of Limestone Mountain. On this 40,000 acre block, Aquitaine is now participating in drillng two other structural prospects located six and 11 miles north of the Cutoff discovery well.

In the deep basin area of Alberta, the Company is actively exploring in two areas of large acreage representation, Pembina-Brazeau and Gold Creek-Wapiti. At Pembina-Brazeau, where the Company holds interests ranging from 25% to 100% in 207,000 acres, one well is drilling on a Nisku prospect which is believed to represent a southwest extension of the West Pembina oil and gas play. In the western part of this acreage, a successful step-out to an earlier significant Cretaceous gas discovery at Owl River is being followed up by two wells, currently drilling, which could result in a productive trend 13 miles in length. The Company's interest in this play is 35.5%.

Aquitaine has interests in the Gold Creek-Wapiti area, ranging from 6.6% to 77% in 460,000 acres within the Elmworth gas play trend. The Company participated in 26 wells in this area during 1978, 15 of which are being completed as potential gas wells in Cretaceous and Jurassic reservoirs with ten wells still drilling. It is anticipated that this same level of activity will be maintained throughout 1979. In




GOLD CREEK COMPLETIONS AND CURRENT ACTIVITY

three other areas of the deep basin, at West Berland, Phoenix and Cow Lake, the Company is evaluating seismic in preparation for drilling in 1979.

In the plains area of Alberta, drilling is continuing on a 7,500 ft. Slave Point test at Clearhills, an area of established Devonian gas reserves. Aquitaine's interest in this project ranges from 25% to 100% in 213,000 acres. At Barrhead on the northeast extension of the Nisku oil play, two wells drilling on the Nisku prospect, Archie and Freeman River, were abandoned early in 1979. Further seismic and drilling is planned in this area during 1979 to evaluate this and other prospects.

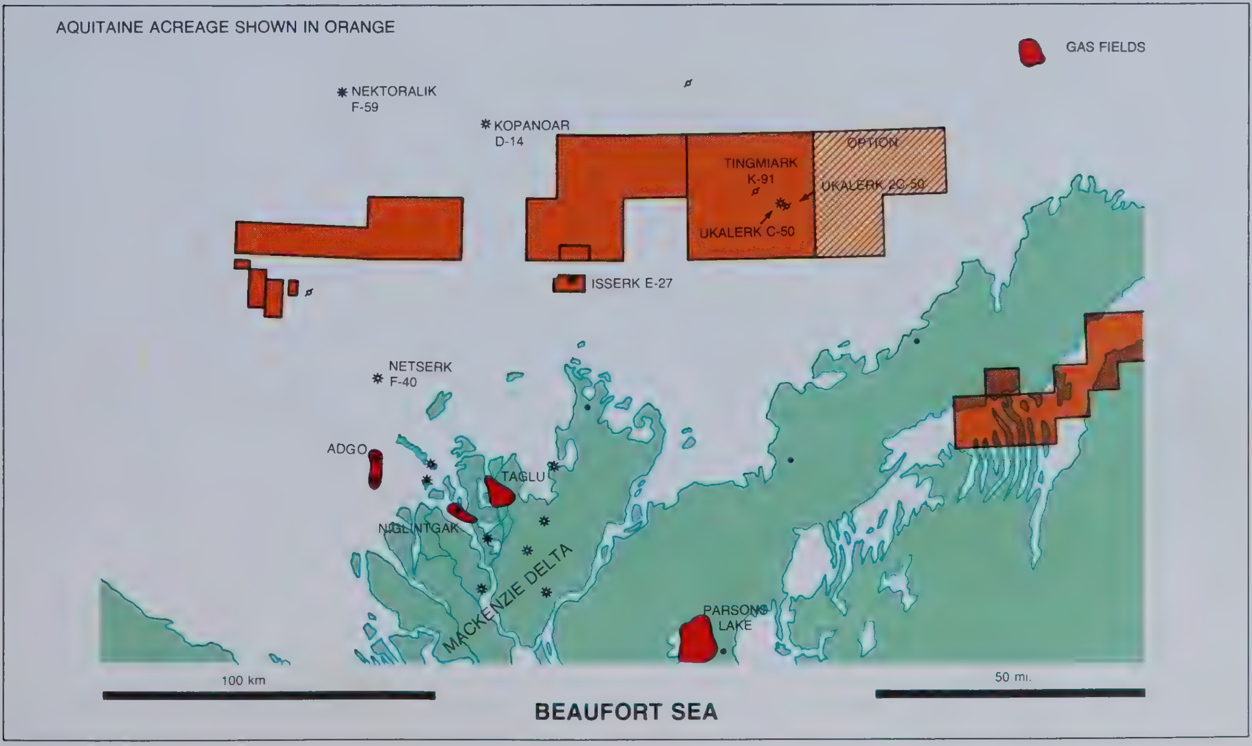
**British Columbia**

Drilling in the Fort St. John area of British Columbia resulted in one Cretaceous gas well at Goose. Further drilling in this general area is planned for in 1979 on several prospects in areas where the Company has a good land position. Aquitaine presently has interests ranging from 18.75% to 37.5% in 68,000 acres. Further north at Poplar, the Company's drilling program, comprising a minimum of two wells, has been deferred to the winter of 1979-80 due to problems of contracting rigs. Interest in this area is 70% in 155,000 acres.

**Yukon and Northwest Territories**

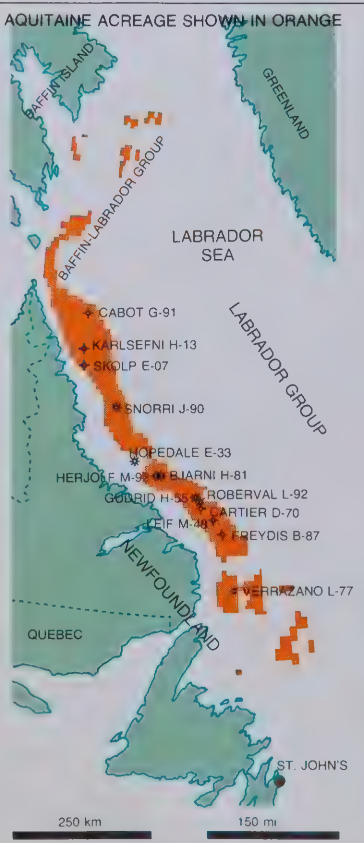
On the Hutchison Block in the Beaufort Sea, the Company participated in a twin well to the Ukalerk C-50 gas discovery, which was drilled to 7,561 feet in the summer of 1977. This year's Dome Gulf Ukalerk 2C-50 well, intended to evaluate deeper prospective horizons on the structure, reached a total depth of 16,250 feet on October 3, 1978. Due to adverse weather conditions, encouraging hydrocarbon indications in the well could not be tested before the end of the drilling season; the hole will be re-entered for testing in the early summer of 1979. Aquitaine's 39.65% interest in the 348,000 acre block will be reduced to 19.82% after all drilling options have been exercised by the farmee. Aquitaine participated for this latter percentage in the deepening of this test beyond the original contract depth of 12,000 feet.

Farther to the east, offshore Cape Bathurst, Dome Petroleum Limited commenced on site preparations



for the Dome Aquit Kilannak M-76 test, to be drilled in the summer of 1979 at no cost to the Company. Aquitaine will have a 30% share in this project after Dome has earned its interest.

The Imperial Isserk E-27 well, in which the Company participated with a 15.45% interest, reached a total depth of 13,519 feet. The well, drilled on pooled acreage in the West Beaufort Sea, tested six million cubic feet of gas per day from one horizon. A second wellsite on an artificial island, five miles to the north, is being prepared for the 1979-1980 winter drilling season for further evaluation of this pooled acreage.




**OFFSHORE LABRADOR**
**OFFSHORE BAFFIN ISLAND**

In the Yukon Territory, the Company spudded the Aquit Alder YT C-33 test in the southeast corner of the Eagle Plains on March 8, 1978. The well was suspended during the April to November period, but resumed operations upon freeze-up. At year end the well was at 4,333 feet. It is licenced for a total depth of 14,000 feet. Aquitaine has 100% working interest in this well.

In the Arctic Islands, an artificially thickened ice platform was constructed in the Hazen Strait during the winter. Aquitaine has a 25% interest in the test well currently drilling from the platform and in the 930,000 acre permit block surrounding it.

### Alaska

On the Alaska North Slope, the Exxon Point Thomson Unit #2 well was drilled to a total depth of 14,117 feet on a lease in which Al-Aquitaine had a 20% interest. The well tested 248 barrels per day of 21° API gravity oil. This wildcat was drilled at no cost to Al-Aquitaine; the Company retains a 10% interest in two leases, which are included in the Point Thomson Divided State Drilling Unit.

### Eastcoast Offshore

On the Labrador shelf, the Newfoundland government granted provincial permits encompassing 18 million acres to the Labrador Group, in which Aquitaine has just increased its interest to 18.83%. The Group also holds federal government permits totalling 25 million acres for the same and additional lands. During the year Total Eastcan drilled and abandoned one well, while a second, Total Eastcan et al Roberval L-92 was started and temporarily suspended at 5,510 feet for deepening and completion in 1979. Three drilling vessels will be active during the 1979 summer season, drilling four to five wells. Changes in the structure of the Group were announced in February, 1979 whereby Petro-Canada will become operator in 1980.

In the Davis Strait area off Baffin Island, Aquitaine, as operator of the Baffin-Labrador Group, conducted all necessary studies in preparation for the drilling of a wildcat well on Aquitaine permits in this northern part of the Labrador Sea during the summer of 1979. On January 18, 1979, the Group received clearance from the federal government to make an application for a drilling licence. Aquitaine has a 25% working interest in the well and will, after earning wells are drilled, have a 55% interest in the prospect.

### Offshore Greenland

The TGA/GREPCO Group, in which Aquitaine has a $29^{1}/_{6}$% interest, relinquished its concessions on the southwest Greenland shelf on December 31, 1978.

### Northern United States

Al-Aquitaine participated in 30 wells resulting in 20 oil wells, seven dry holes, and one suspended well. It also retained an overriding royalty interest in 11 additional wells, three of which were completed as producers.

During the year, Al-Aquitaine maintained a 25% interest in approximately 2.6 million gross acres of Burlington Northern land spread over the states of North

Dakota, Montana, Washington and Oregon. Exploration efforts were concentrated on acreage located within the Williston Basin where potential for multi-pay oil prospects was confirmed by industry activity results. Two rigs will remain under contract through 1979 and will help evaluate additional prospects generated over this area of high oil potential. The exploratory agreement with Burlington Northern has been extended through 1979 with the option acreage reduced to 2,169,000 gross acres.

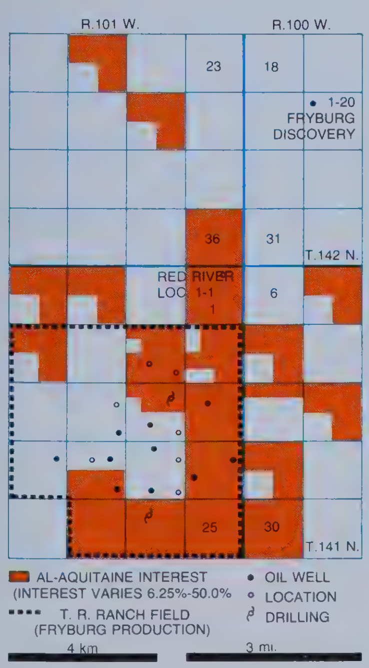
Al-Aquitaine has participated in four development wells in the T.R. Field, North Dakota, discovered in July of 1978, which produces from Mississippian formations. The Company has a working interest varying from 6.25% to 50% in about 5,360 gross acres within and around this new discovery. Two new wells are presently underway and it is anticipated that the Company, as operator or as a working interest party, will participate in six to eight new development wells in 1979. Nearby, several promising anomalies with potentials similar to the T.R. Field will be tested in the coming months.

In northeast Montana, Al-Aquitaine, as a partner in the McCabe Joint Venture, participated in four exploratory tests, resulting in two Red River oil discoveries.

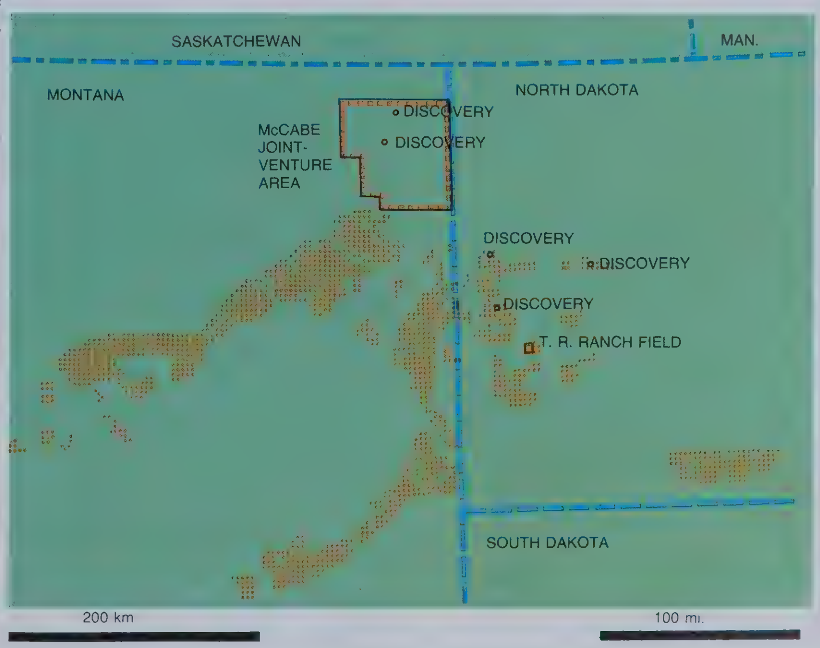
Sustained exploratory and development drilling activity in the northern U.S. is expected in 1979.

**Geothermal Exploration**

No field activity was carried out on the Company's Nevada properties during 1978. A drilling location has been selected and a well will probably get underway later in 1979.




**T. R. RANCH FIELD**
**NORTH DAKOTA**




**MONTANA AND NORTH DAKOTA**
**LOCATION OF 1978 AQUITAINE DISCOVERIES**

AQUITAINE ACREAGE SHOWN IN ORANGE

The Company continued to explore for uranium and base metals during 1978. The exploration budget was $1.8 million. On a joint venture in northern British Columbia, drilling has resulted in the discovery of a sizeable sulphide zone with very interesting showings of lead and zinc. Exploration will continue on this prospect in 1979 to determine if the deposit is of commercial grade. Aquitaine's interest in the joint venture is 33%.

An expanded uranium exploration program during 1978 has resulted in the discovery of mineralization of commercial quality in the Dismal Lakes region of the Northwest Territories. In Nova Scotia, the discovery of uranium mineralization over a fairly large area has resulted in the acquisition of substantial land holdings. A comprehensive exploration effort to evaluate these showings will be made during 1979.

## Summary


Aquitaine's 1978 oil and gas operating profit of $95.8 million was up 11% as a result of price increases and the smooth operation of both the Ram River and Rainbow Lake plants throughout the year. Operating costs for oil, gas and sulphur increased by 8% to $15 million, compared with a 14% increase the year before when the Ram River plant had its major maintenance turnaround.


## Oil

A shortage of rigs available for contract resulted in very few development wells being drilled in the Rainbow field in 1978. A new rig has been contracted for Rainbow and continuous drilling to meet production commitments will start early in 1979.

## Gas

The Ram River plant operated satisfactorily in 1978 with production up slightly from 1977. Aquitaine's share of sales gas at 49.1 billion cubic feet was down 7.3% from its 1977 share, for the reason discussed in the Sales section.

To maintain deliverability from the Ricinus West field Aquitaine recompleted a well, which had been used as a water disposal well, to a gas producer early in 1979. The Company is also adding raw gas compression facilities which will be operating in 1980.

Further evaluation of Rainbow Bluesky shallow gas wells drilled in 1977 was completed during the year. These wells will be tied into the Rainbow processing plant in 1979 and the gas utilized for plant fuel.

## Sulphur

Aquitaine's share from Ram River at 951,000 tons was down 4.2%. Sulphur production from other areas amounted to 30,000 tons.

## Coal

Both coal production and coal shipments showed increases in 1978 despite the miners' strike which virtually brought the industry in the eastern U.S. to a halt in the first quarter. Production for the year increased by 4% or 68,000 tons to 1,674,000 tons and shipments increased slightly to 1,264,000 tons. This increase was brought about by the use of two large electric shovels which were in full operation for most of the year, in addition to the startup of a new underground mine in the third quarter.

The increase in coal production and in the proportion of metallurgical coal sales represents the initial effect of the capital expenditures made during the past two years to improve and expand the Company's production facilities. The final phase of this program will be completed in the first quarter of 1979 with the erection of a 32-cubic yard walking dragline.

## Stolberg Pipeline and Production Facilities

Construction of the Stolberg sour gas pipeline was completed in 1978. Construction of the gathering system was delayed until the winter of 1978-79 to take

advantage of the frozen ground. Startup of the complete facilities is scheduled for May, 1979. The system will deliver approximately 70 million cubic feet of sour gas a day from three gas pools in the Stolberg-Nordegg area to the Ram River plant for processing.

### Ram River

A new unit for the removal of hydrogen sulphide gas from liquid sulphur, currently under construction at the Ram River plant, is scheduled for completion in the spring. Removal of the gas will make liquid sulphur both easier and safer to handle and ship.

The Company plans to start removing sulphur from the block and is currently constructing remelting facilities which will be operating before mid-year.

### Beaverdam Heavy Oil

As a follow-up to its 1977 and 1978 evaluation program in the Cold Lake heavy oil area, Aquitaine has entered into a five-year agreement for the development of heavy oil production technology.

### Operations

Net earnings increased 14% to $40,914,000 ($1.90 per share) in 1978 from $35,962,000 ($1.67 per share) in 1977.

Funds generated from operations in 1978 were $90,718,000, a 45% increase over the previous year. Contributing to this increase were higher operating profits from oil and gas and reduced current income taxes, the latter being a result of tax credits earned from the Company's expanded exploration program.

Income from sales and other sources in 1978 was $193,919,000 compared with $163,787,000 for the prior year. The reader is referred to the Sales section on page six for comments on changes in this area.

Oil and gas operating expenses were $14,840,000. These costs were up only 8% over 1977, despite higher payroll and sulphur facility costs. Higher coal operating costs reflect growth of staff, processing more metallurgical grade coal and increased wages and benefits following the settlement of the miners' strike in late March.

Administrative costs increased 25% from $8,770,000 in 1977 to $10,968,000 in 1978 reflecting the substantial expansion and growth of the Company during the year. The increase is attributable to the addition of 33 employees to administrative staff and general increases in salaries and other administrative expenses.

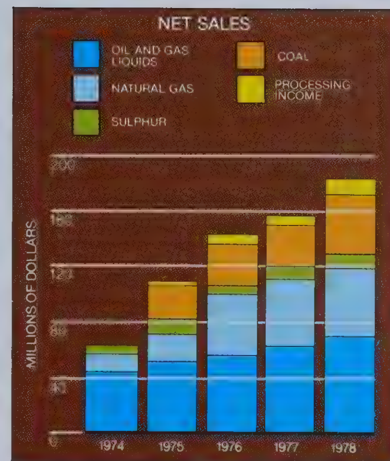
Interest expense in 1978 was $7,525,000, up 60% from that reported in 1977. An 18% increase in average debt outstanding in 1978 over 1977 together with higher interest rates accounted for this increase.

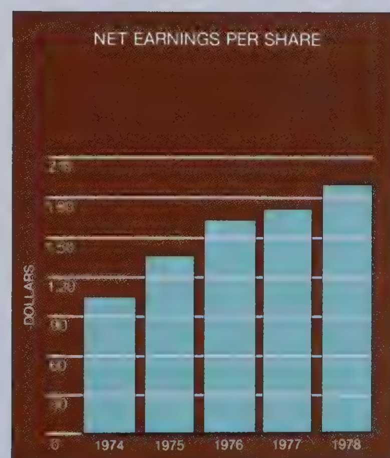
Depletion and depreciation were slightly higher than in 1977. The increase in these expenses because of the significantly higher capital expenditures was largely offset by the discovery and addition of 5,000,000 barrels of oil and gas liquids and 103 billion cubic feet of gas to the Company's reserves during the year. Earnings in 1978 were charged with the write-off for costs associated with concessions granted by the Danish government to conduct exploration offshore Greenland. Such exploration was conducted without success and the concessions were abandoned in 1978.

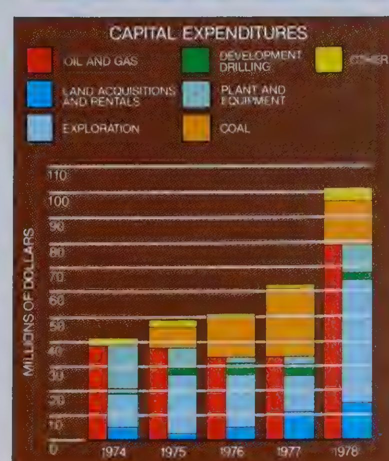
Income taxes were 50% of earnings before such taxes compared with 55% in 1977. This reduction results from the tax credits earned, referred to above, which more than offset the non-deductibility for Canadian income tax purposes of losses from the U.S. coal operations and increases in royalties.

### Capital Expenditures

The Company's activities reached an all time high in 1978. Total capital expenditures were $100,965,000 up 61% from 1977. Of this total 78% was devoted to oil and gas, of which $48,990,000 went to exploration, nearly three times 1977 expenditures, $14,496,000 to land and rentals mainly in Alberta, and $15,692,000 to development, plant and equipment. 17% of the total capital



expenditures were made on the Company's coal operations with the balance on mining exploration and the commencement of construction of a new office building in Calgary.

**Working Capital**

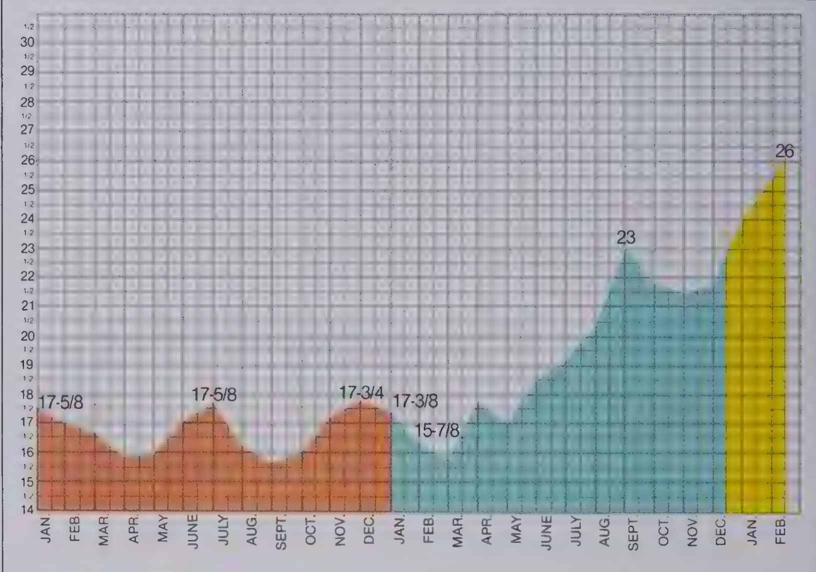
The Company's working capital at December 31, 1978 was $30,899,000, an increase of 24% over 1977. This improvement is primarily a result of funds generated from operations and increases in long term debt. Bank loans and commercial paper supported by long term lines of credit which existed in 1977 were largely replaced by $30,000,000 U.S. of 9¾% notes due in 1998 with repayments commencing in 1981 and a $30,000,000 U.S. bank loan repayable in 1984. This more permanent financing increased working capital by reducing the current portion of long term debt by $10,022,000. The other major increase in long term debt was a 15-year office building mortgage of $12,000,000.

**Dividend**

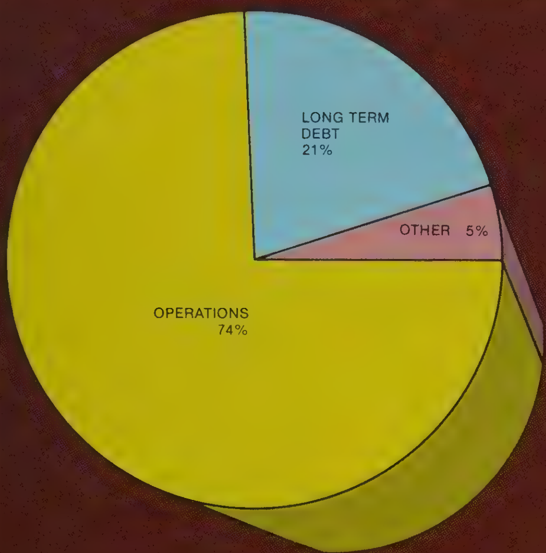
A dividend of 39¢ per share, the maximum payable under Canadian anti-inflation legislation, was paid in 1978. This was an increase of 7¢ per share over the 1977 dividend.

# *INFORMATION ON VOTING SHARES*

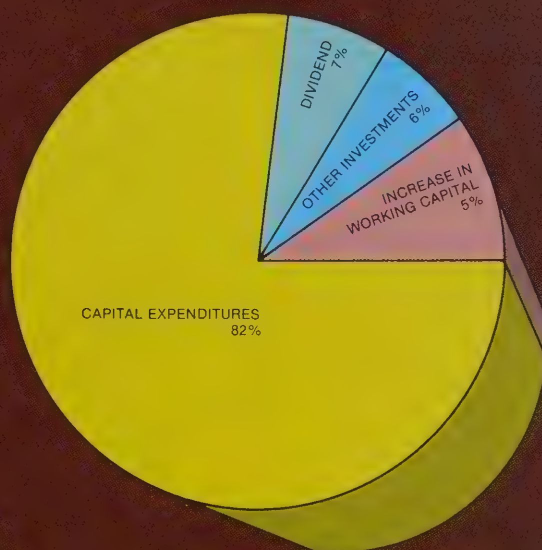
| **Price Ranges (High-Low)** | **1978** | **1977** |
|---|---|---|
| Toronto Stock Exchange | | |
| First Quarter | 17⅜ - 14¾ | 17⅞ - 14¾ |
| Second Quarter | 19⅞ - 15½ | 17⅛ - 14¾ |
| Third Quarter | 23¾ - 17 | 17¾ - 14 |
| Fourth Quarter | 21⅞ - 18¼ | 17¾ - 14⅝ |
| American Stock Exchange | | |
| First Quarter | 15⅞ - 13½ | 17⅜ - 14⅛ |
| Second Quarter | 15½ - 13⅝ | 16 - 14¼ |
| Third Quarter | 20⅞ - 14⅞ | 16½ - 13 |
| Fourth Quarter | 18¾ - 15⅜ | 16 - 13⅛ |
| **Dividend per Share** | 39¢ | 32¢ |



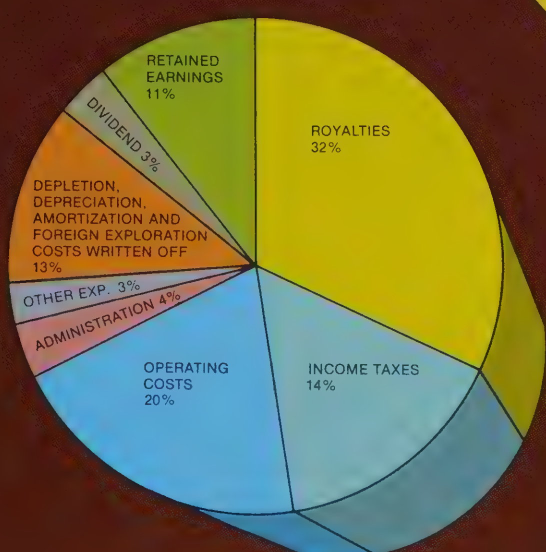
HIGHEST CLOSING MARKET QUOTATION ON THE TORONTO STOCK EXCHANGE




SOURCE OF FUNDS




APPLICATION OF FUNDS




DISTRIBUTION OF INCOME

**The Environment**
Aquitaine is dedicated in all its operations and activities to the best principles of environmental management. A staff environmental advisor is responsible for the Company's environmental programs. In addition, each operating group is responsible for awareness and maintenance of environmental policies and actions. As a result, Aquitaine meets or exceeds environmental standards required by legislation.

The Company is well represented in the majority of Canadian environmental organizations, particularly those relating to the petroleum industry and the Arctic. This participation enables the Company to gain a better perspective on environmental trends and issues.

Aquitaine, through its policy of co-operation and liaison also endeavors to maintain good relations with government and the concerned public.

**The People**
Aquitaine could not have achieved the degree of success it did in 1978 without the efforts of its employees. At year end out of a total of 418 employees in Canada, 286 worked in the Calgary office, 82 at the Ram River plant and 50 at Rainbow Lake. Another 13 worked out of the Denver office, 653 for the Aquitaine Pennsylvania, Inc. coal operation, and two were in Switzerland.

To make Aquitaine a better place to work, the Company continually attempts to enrich its job opportunities. It provides pension, medical, insurance and savings plans. And in the area of education, the Company encourages and pays for employees to upgrade their qualifications. Through the summer student program, selected students in petroleum related disciplines are given the opportunity to work and gain experience in their chosen fields. Aquitaine provides funding for scholarships, building programs and research at educational institutions.

Aquitaine has established itself as a leader in safety in the petroleum industry. The Company has received awards and recognition from both industry and government signifying the awareness that plant and field personnel have for safety. Staff members are active in safety organizations and in arranging safety seminars for the industry. Regular safety meetings are held in-house to train and upgrade employees in safety procedures; in-house hydrogen sulphide gas training and special bush survival courses are provided for employees.

**The Community**
Aquitaine, as an active corporate citizen, endeavors to support the community in which it operates. The Company has maintained over the years an innovative approach to funding community groups and organizations. The greatest emphasis has been on support of the arts. In 1978 the largest single portion of the Company's donations budget went to arts and culture. Newly formed artistic groups and associations which have shown strong potential as well as groups and events that relate to youth received high priority for support.

The Company's gross proved reserves, as calculated by Aquitaine's geological and engineering staff, are summarized in the accompanying table. Proved reserves for this purpose are those which are recoverable at commercial rates under present depletion methods and current operating conditions, costs and product prices. No allowance has been made for probable additional reserves which may be recoverable by more efficient production methods or improved economic conditions.

Natural gas reserves increased by 50 billion cubic feet or 7% to 722 billion cubic feet due mainly to discoveries and extensions in the Gold Creek and Hotchkiss areas of Alberta. The largest reserve additions were in the Gold Creek area, which includes the Elmworth, Steep Creek, Lator, Big Mountain, Karr and Wapiti areas. There were also increases in reserves assigned to the Cutoff area and some gas pools in Rainbow.

Oil and gas liquids reserves declined by six million barrels to 126 million barrels as proved additions did not completely replace production. Sulphur reserves declined by one million tons due to sales and repayment of previous sulphur exchanges. Coal reserves increased by 12 million tons to 68 million tons through purchases of reserves and additions.

| | 1978 | | 1977 | |
|---|---|---|---|---|
| | (Thousands of Acres) | | | |
| OIL AND GAS LEASES | **Gross** | **Net** | Gross | Net |
| British Columbia | **622** | **281** | 539 | 254 |
| Alberta | **1,533** | **672** | 1,546 | 657 |
| Saskatchewan | **7** | **1** | 103 | 1 |
| Northwest Territories | **105** | **95** | 540 | 508 |
| Beaufort Sea | **35** | **10** | — | — |
| Arctic | **33** | **33** | — | — |
| Alaska | **26** | **7** | 26 | 7 |
| Montana | **886** | **295** | 986 | 347 |
| North Dakota | **98** | **36** | 68 | 27 |
| South Dakota | **1** | **1** | 1 | 1 |
| Wyoming | **15** | **3** | 21 | 6 |
| OIL AND GAS RESERVATIONS, PERMITS, LICENSES AND CONCESSIONS | | | | |
| British Columbia | **244** | **150** | 418 | 223 |
| Alberta | **297** | **89** | 335 | 88 |
| Northwest Territories | **1,801** | **1,059** | 2,424 | 1,760 |
| Beaufort Sea | **9,288** | **5,294** | 6,428 | 3,539 |
| Arctic Islands | **13,773** | **9,982** | 22,461 | 16,020 |
| Hudson Bay | **1,178** | **384** | 6,267 | 2,092 |
| East Coast Offshore | **28,547** | **6,934** | 32,963 | 7,523 |
| Greenland | — | — | 1,332 | 388 |
| Bituminous Sands | **50** | **25** | 50 | 25 |
| TOTAL OIL AND GAS ACREAGE | **58,539** | **25,351** | 76,508 | 33,466 |
| Mineral permits and claims | **176** | **99** | 177 | 117 |
| Geothermal leases | **46** | **25** | 48 | 26 |
| Coal Pennsylvania | **26** | **26** | 30 | 30 |

**GROSS PROVED RESERVES (before royalty)**

| | Oil & gas liquids (millions of tank barrels) | Gas (billions of cubic feet) | Sulphur (millions of long tons) | Coal (millions of short tons) |
|---|---|---|---|---|
| Reserves at January 1, 1978 | 132 | 672 | 12 | 56 |
| Discoveries and additions | 5 | 103 | — | 13 |
| Sales | (11) | (53) | (1) | (1) |
| Reserves at December 31, 1978 | 126 | 722 | 11 | 68 |

| | Cost (%) | Drilling [illegible] | [illegible] | Status at Year End |
|---|---|---|---|---|
| **AQUITAINE OPERATED EXPLORATORY WELLS** | | | | |
| **Alberta** | | | | |
| Aquit et al Wolf Ck 10-21-52 15 W5M | 33 3 | [illegible] | [illegible] | [illegible] |
| Aquit et al Mayton 7 31-34-28 W4M | 31 2 | [illegible] | [illegible] | [illegible] |
| Aquit Grey Owl Ck 7 12 43-13 W5M | 100 | [illegible] | [illegible] | [illegible] |
| Aquit Stolberg 10 15-42 14 W5M | 100 | [illegible] | | [illegible] |
| Aquit et al Chinchaga 11 13-96-7 W6M | 95 5 | [illegible] | [illegible] | [illegible] |
| Aquit et al Owl River 6-6 46-15 W5M | 33 3 | [illegible] | | [illegible] |
| Aquit Chinchaga 7 36-96-6 W6M | 100 | [illegible] | | [illegible] |
| Aquit et al Ram River 6-11-36 13 W5M | 50 | [illegible] | | [illegible] |
| **British Columbia** | | | | |
| Aquit et al Donnamarie a 93 C, 94-O 6 | 76 5 | [illegible] | [illegible] | Abandoned |
| **Yukon** | | | | |
| Aquit Alder YT C 33 66-00-136-45 | 100 | 75 | | Drilling |
| **North Dakota** | | | | |
| Al Aquit GPE BN #1 Sec 5 143N-100W | 25 | 25 | [illegible] | Abandoned |
| Al-Aquit Crystal State 1 13 Sec 13 141N 101W | 50 | 25 | [illegible] | [illegible] |
| Al Aquit Crystal State 1-24 Sec 24 141N 101W | 25 | 25 | [illegible] | [illegible] |
| Al Aquit Crystal Gulf State 3 24 Sec 24 141N 101W | 25 | 25 | [illegible] | Oil Well |
| **AQUITAINE OPERATED DEVELOPMENT WELLS** | | | | |
| **Alberta** | | | | |
| Aquit Mobil Rainbow 10-15 109-8 W6M | 50 | 50 | [illegible] | Oil Well |
| Aquit Mobil Rainbow 12 32 109-8 W6M | 50 | 50 | [illegible] | Oil Well |
| **NON-OPERATED EXPLORATORY WELLS** | | | | |
| **Alberta** | | | | |
| Canhunter et al Simonette 10 8-63 1 W6M | 8 8 | 8 8 | 8,830 | Abandoned |
| Amoco et al Steep Creek 7 7-65 7 W6M | 8.3 | 8 3 | [illegible] 464 | Gas Well |
| Mesa et al Cranberry 10 27 96-3 W6M | 25 | 25 | [illegible] 425 | Gas Well |
| Sabre et al Metiskow 12 4 40 4 W4M | NIL | 43 [illegible] | [illegible] | Gas Well |
| Home et al Wolverine 10 2 99 17 W5M | 25 | 25 | [illegible] | Gas Well |
| Total et al Sutton 12 2 91 4 W6M | NIL | [illegible] | [illegible] | Abandoned |
| Canhunter et al Gold Ck 11 1 66 5 W6M | 9 3 | 9 3 | [illegible] | Gas Well |
| Home et al Carcajou 7 3-102-19 W5M | 40 | 30 | [illegible] | Abandoned |
| H B et al Peel 7 23 101 18 W5M | 30 | 30 | [illegible] | Abandoned |
| Amoco et al Owl River 6 3 46 17 W5M | 35 6 | 35 6 | 15,852 | Gas Well |
| Amoco et al Wapiti 11 26-68 8 W6M | 6 7 | 6 7 | 8,330 | Abandoned |
| Canhunter et al Gold Ck 6 9 66 5 W6M | 9 3 | 9 3 | 8,870 | Gas Well |
| Shell et al Clearwater 10-24 35 12 W5M | 25 | 25 | 16,488 | Abandoned |
| Canhunter et al Lator 11 27 63 2 W6M | 9 6 | 12 9 | 10,020 | Gas Well |
| Mobil Aquitaine Cutoff 11-2 36 12 W5M | 50 | 50 | | Drilling |
| Ranchmans et al Cross 6 11 27-1 W5M | 16 7 | 16 7 | 5,690 | Abandoned |
| Amoco et al Big Mtn 6-72 67 8 W6M | 8.3 | 8.3 | 10,269' | Gas Well |
| Amoco et al Wapiti 6 8 67 9 W6M | 6 7 | 6 7 | 11,116 | Gas Well |
| Canhunter et al Karr 10-4 65 2 W6M | 8.7 | 8 7 | 9 301' | Gas Well |
| PEX et al Lator 2 29 62-3 W6M | 9.3 | 9 3 | 15,544' | Gas Well |
| Amoco et al Big Mtn 6 7 66 6 W6M | 6 7 | 6.7 | 12,447' | Gas Well |
| Leddy Aquit Penhold 16 10 36-27 W4M | 50 | 50 | 7,229' | Abandoned |
| Amoco et al Steep Creek 10 29 65 8 W6M | 6 7 | 6.7 | 12,281 | Gas Well |
| Canhunter et al Karr 6 13 64 2 W6M | 11 1 | 11 1 | 9,354' | Gas Well |
| Canhunter et al Karr 6 15 66 3 W6M | 20 | 20 | 8,696 | Gas Well |
| Amoco et al Wapiti 7 26 68 9 W6M | 6 7 | 6.7 | 9,641' | Gas Well |
| Amoco et al Wapiti 10 7 68 9 W6M | 6 7 | 6.7 | | Drilling |
| PEX et al Lator 7 24 63 2 W6M | 9 3 | 9 3 | 10,390' | Gas Well |
| PEX Gold Creek 10 6 68 5 W6M | 3 3 | 3 3 | 8,507' | Abandoned |
| Amoco et al Big Mtn 6 14 66 [illegible] W6M | 6 7 | 6.7 | | Drilling |
| Dome et al Provost A1 25 36 5 W4M | [illegible] | 2 7 | 3,342 | Gas Well |
| Amoco et al Brown Creek [illegible] | [illegible] | 23 7 | | Drilling |
| Canhunter et al Gold Creek [illegible] | [illegible] | [illegible] | | Drilling |
| Amoco et al Steep Creek [illegible] | [illegible] | [illegible] | | Drilling |
| Mobil et al Archie 1 17 [illegible] W6M | [illegible] | [illegible] | | [illegible] |
| Amoco et al Big Mountain [illegible] | [illegible] | [illegible] | | [illegible] |
| Amoco et al Steep Creek [illegible] | [illegible] | [illegible] | | [illegible] |
| Mobil et al Freeman [illegible] | [illegible] | [illegible] | | [illegible] |
| Canhunter et al Gold Creek [illegible] | [illegible] | [illegible] | | [illegible] |
| Amoco et al Yarner [illegible] | [illegible] | [illegible] | | [illegible] |
| Amoco et al Steep Creek [illegible] | [illegible] | [illegible] | | [illegible] |
| **British Columbia** | | | | |
| Westcoast et al [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Highfield et al Boudreau [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Beaufort Sea** | | | | |
| Imperial Gulf et al Isserk [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dome et al Ukalerk [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Labrador Shelf** | | | | |
| Total Eastcan et al [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total Eastcan et al [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Montana** | | | | |
| Terrapet Rudolph #1 8 Sec [illegible] | 40 | [illegible] | [illegible] | [illegible] |
| Getty Tr County #1 Sec [illegible] | 25 | [illegible] | [illegible] | [illegible] |
| Terrapet [illegible] | 23 | [illegible] | [illegible] | [illegible] |
| Terrapet [illegible] | 37 8 | [illegible] | [illegible] | [illegible] |
| Texaco BN [illegible] | 12 5 | [illegible] | [illegible] | [illegible] |
| Terrapet [illegible] | 40 | [illegible] | [illegible] | [illegible] |
| LL&E [illegible] | 12 5 | [illegible] | [illegible] | [illegible] |
| Terrapet [illegible] N 56E | 25 | [illegible] | [illegible] | [illegible] |
| Union Oil State [illegible] | 12 5 | [illegible] | [illegible] | [illegible] |
| Getty Oil [illegible] 26N 56E | [illegible] | [illegible] | [illegible] | [illegible] |
| GPE BN #1 Sec [illegible] N 60E | [illegible] | [illegible] | [illegible] | [illegible] |
| Terrapet [illegible] 28N 58E | [illegible] | [illegible] | [illegible] | [illegible] |
| **North Dakota** | | | | |
| GPE Al Aquit BN [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GPE BN [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Terra Messersmith [illegible] 104W | [illegible] | [illegible] | [illegible] | [illegible] |
| Terra Federal [illegible] 144N 104W | [illegible] | [illegible] | [illegible] | [illegible] |
| **Alaska** | | | | |
| Exxon Point Thompson Unit #1 [illegible] | Nil | | [illegible] | [illegible] |
| **NON OPERATED DEVELOPMENT WELLS** | | | | |
| **Alberta** | | | | |
| PEX et al Lator 10 31 62 2 W6M | 9 3 | [illegible] | [illegible] | Abandoned |
| **North Dakota** | | | | |
| GPE BN #1 Sec [illegible] 147N 105W | 25 | | | [illegible] |
| GPE BN #2 Sec [illegible] 147N 105W | 25 | 25 | [illegible] | [illegible] |
| GPE Al Aquit BN #1 Sec 15 146N 103W | 25 | 25 | [illegible] | [illegible] |
| Chambers Mosser [illegible] 101W | 6 2 | 6 2 | [illegible] | [illegible] |
| Tenneco Oil River #1 Sec [illegible] 146N 103W | 6 2 | | [illegible] | [illegible] |
| GPE Al-Aquit BN #1 Sec 13 147N 104W | 18 7 | 18 7 | [illegible] | [illegible] |
| BWAB BN #11 21 Sec 11 147N 104W | 9 4 | 0 | 9,430 | [illegible] |
| **Montana** | | | | |
| Shell BN 24X 19 Sec 19 23N-60E | 9.4 | 9.4 | 9,197 | Oil Well |
| Shell BN 22X 31 Sec 31 23N 60E | 9 4 | 9.4 | | Drilling |

## GROSS OVERRIDING ROYALTY WELLS

In addition, Aquitaine had a gross overriding royalty interest in 18 wells drilled at no cost to the Company. Of these, five wells in Alberta resulted in two oil wells, two gas wells and one still testing. In Montana, the drilling of eight wells resulted in one oil well and one gas well; five were abandoned and one is still drilling. Of three wells drilled in North Dakota, two were abandoned and one is still drilling, and of two wells in Wyoming, one was abandoned and one is still drilling.

## UNIT WELLS

In other 1978 drilling in Alberta, Aquitaine had a 7.4% interest in three unit wells (oil) and 8.9% in two unit wells, one of which is an oil well, the other a potential oil well.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company follows the generally accepted Canadian accounting policies set out below. These policies, together with the following notes, should be considered an integral part of the consolidated financial statements.

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Aquitaine Company of Canada Ltd. and all of its subsidiaries (the Company), except for an insurance subsidiary which is included in investments and other assets at cost.

### FOREIGN EXCHANGE

Accounts in foreign currencies have been converted to Canadian currency on the following bases:

(i) current assets and current liabilities at the exchange rate on December 31;

(ii) properties, plant and equipment, investments and other assets, long term debt, income and expenses at the exchange rate in effect on the date of the transaction;

(iii) accumulated depletion, depreciation, amortization and deferred income taxes and current provisions against earnings on the basis of the converted value of the related assets.

Exchange gains or losses are included in determining net earnings for the year.

### PROPERTIES, PLANT AND EQUIPMENT

The Company follows the full cost method of accounting for oil and gas properties. Separate cost centers have been established for North America including the Arctic Islands and foreign jurisdictions, the latter generally on a country by country basis. Under this concept all costs, including a portion of administrative expenses, relating to the exploration for and development of oil and gas reserves are capitalized. Depletion of such costs is provided for by the unit of production method based on each cost center's total estimated recoverable reserves of oil and gas.

The costs of exploration and development of coal properties are capitalized with depletion being provided for by the unit of production method based on the estimated recoverable reserves of coal.

Costs related to mining properties including a portion of administrative expenses are capitalized when acquired or undertaken. A regular charge is made to earnings for amortization of undeveloped mining properties. When the properties are abandoned their cost is charged against the accumulated amortization and any excess of abandonments over the accumulated amortization is charged as additional amortization against current year's earnings.

Depreciation of oil and gas plants and production equipment and coal preparation plants is provided for by the unit of production method. Depreciation of other coal equipment and other assets is provided for by the straight-line method at rates of from 4% to 30%, based on the estimated service life of each group of assets.

Upon disposal of oil and gas properties, plant and production equipment, the proceeds and applicable accumulated depletion and depreciation are normally applied to reduce the cost of the remaining assets without recognition of gain or loss. In the case of coal properties, plant and equipment, and other assets, the difference between the proceeds and net book value is charged or credited to earnings.

Maintenance and repairs are charged against earnings, and renewals and betterments which extend the economic life of the properties, plant and equipment are capitalized.

### JOINT VENTURES

The Company conducts substantially all of its oil and gas exploration and production activities on a joint venture basis.

### INCOME TAXES

Income taxes are accounted for by the tax allocation method. Under this method income tax expense is determined on transactions affecting net earnings as opposed to when such items are recognized for tax purposes. Differences between the total income tax expense and taxes currently payable are reflected as deferred income taxes. Tax benefits from earned depletion and the frontier exploration allowance are reflected as a reduction in taxes in the year claimed.

# CONSOLIDATED BALANCE SHEET

As at December 31, 1978 and 1977

## Assets

| | 1978 | 1977 |
|---|---|---|
| | (thousands) | |
| CURRENT ASSETS | | |
| Cash | $ 868 | $ 511 |
| Short term investments | 17,958 | 61,520 |
| Accounts receivable | 46,447 | 34,076 |
| Inventories of materials, supplies and coal at lower of cost or replacement cost | 11,477 | 6,107 |
| Prepaid expenses | 2,374 | 3,087 |
| | 79,124 | 105,301 |
| INVESTMENTS AND OTHER ASSETS | 12,804 | 6,539 |
| PROPERTIES, PLANT AND EQUIPMENT (Note 2) | 436,255 | 376,518 |
| | $528,183 | $488,358 |

## Liabilities

| | 1978 | 1977 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Bank loan | $ — | $ 21,888 |
| Accounts payable and accrued liabilities | 41,601 | 26,391 |
| Income taxes payable | 5,572 | 20,953 |
| Current portion of long term debt | 1,052 | 11,074 |
| | 48,225 | 80,306 |
| LONG TERM DEBT less current portion (Note 4) | 79,556 | 54,359 |
| DEFERRED INCOME TAXES | 78,524 | 64,321 |
| | 206,305 | 198,986 |

## Shareholders' Equity

| | 1978 | 1977 |
|---|---|---|
| CAPITAL STOCK | | |
| Authorized — 23,000,000 shares without nominal or par value | | |
| Issued — 21,557,798 shares | 131,588 | 131,588 |
| RETAINED EARNINGS | 190,290 | 157,784 |
| | 321,878 | 289,372 |
| | $528,183 | $488,358 |

Signed on behalf of the Board

Director

Director

# CONSOLIDATED STATEMENT OF NET EARNINGS

| For the years ended December 31, 1978 and 1977 | 1978 | 1977 |
|---|---|---|
| | (thousands) | |
| INCOME | | |
| Sales | | |
| Oil, gas, liquid products and sulphur after deduction of royalties (1978 — $91,661; 1977 — $75,472) | **$144,316** | $125,350 |
| Coal | **44,031** | 33,026 |
| | **188,347** | 158,376 |
| Interest and other income | **5,572** | 5,411 |
| | **193,919** | 163,787 |
| EXPENSES | | |
| Operating | | |
| Oil, gas, liquid products and sulphur | **14,840** | 13,771 |
| Coal | **42,332** | 28,072 |
| | **57,172** | 41,843 |
| Administrative | **10,968** | 8,770 |
| Interest | **7,525** | 4,691 |
| Research | **620** | 920 |
| | **76,285** | 56,224 |
| EARNINGS BEFORE THE FOLLOWING DEDUCTIONS | **117,634** | 107,563 |
| Depletion | **19,741** | 17,561 |
| Depreciation | **9,065** | 9,270 |
| Amortization | **1,111** | 686 |
| Foreign exploration costs written off | **5,682** | — |
| | **35,599** | 27,517 |
| EARNINGS BEFORE INCOME TAXES | **82,035** | 80,046 |
| Income taxes (Note 3) | | |
| Current | **26,918** | 44,341 |
| Deferred | **14,203** | (257) |
| | **41,121** | 44,084 |
| NET EARNINGS | **$ 40,914** | $ 35,962 |
| NET EARNINGS PER SHARE (based on average number of shares outstanding during the year) | **$ 1.90** | $ 1.67 |

# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

| For the years ended December 31, 1978 and 1977 | 1978 | 1977 |
|---|---|---|
| | (thousands) | |
| Balance at beginning of year | | |
| Previously reported | **$157,784** | $128,311 |
| Adjustment to give retroactive effect to change in accounting policy for foreign exchange (Note 1) | **—** | 409 |
| Restated | **157,784** | 128,720 |
| Net earnings | **40,914** | 35,962 |
| Dividend (1978 — 39¢ per share; 1977 — 32¢ per share) | **(8,408)** | (6,898) |
| Balance at end of year | **$190,290** | $157,784 |

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION



| For the years ended December 31, 1978 and 1977 | 1978 | 1977 |
|---|---|---|
| | (thousands) | |
| SOURCE OF FUNDS | | |
| Funds generated from operations | $ 90,718 | $ 62,738 |
| Long term debt | 25,457 | 4,768 |
| Other | 6,384 | 2,216 |
| | 122,559 | 69,722 |
| APPLICATION OF FUNDS | | |
| Capital expenditures | | |
| Oil and gas | | |
| Land acquisition and rentals | 14,496 | 10,606 |
| Exploration | 48,990 | 16,955 |
| Development | 4,108 | 3,305 |
| Plant and equipment | 11,584 | 2,864 |
| Coal | | |
| Land acquisition | 249 | 2,744 |
| Exploration | 102 | 99 |
| Development | 1,434 | 6,760 |
| Plant and equipment | 15,782 | 17,741 |
| Mining exploration | 1,849 | 1,521 |
| Other | 2,371 | — |
| | 100,965 | 62,595 |
| Reduction in long term debt | 260 | 114 |
| Dividend | 8,408 | 6,898 |
| Other investments | 7,022 | — |
| | 116,655 | 69,607 |
| INCREASE IN WORKING CAPITAL | $ 5,904 | $ 115 |
| CHANGES IN ELEMENTS OF WORKING CAPITAL | | |
| Increase (decrease) in current assets | | |
| Cash | $ 357 | $ 206 |
| Short term investments | (43,562) | 34,397 |
| Accounts receivable | 12,371 | 9,063 |
| Inventories | 5,370 | 765 |
| Prepaid expenses | (713) | 2,437 |
| | (26,177) | 46,868 |
| Increase (decrease) in current liabilities | | |
| Bank loan | (21,888) | 21,888 |
| Accounts payable and accrued liabilities | 15,210 | 6,661 |
| Income taxes payable | (15,381) | 10,228 |
| Current portion of long term debt | (10,022) | 7,976 |
| | (32,081) | 46,753 |
| Increase in working capital | 5,904 | 115 |
| Working capital at beginning of year | 24,995 | 24,880 |
| Working capital at end of year | $ 30,899 | $ 24,995 |

December 31, 1978 and 1977

## 1. CHANGE IN ACCOUNTING POLICY

During 1977 the Company changed its accounting policy with respect to conversion of long term debt payable in foreign currencies to Canadian currency. Previously such debt was converted at the exchange rate in effect at the end of each period. The revised policy is to state such debt at the rate in effect at the date the debt was incurred. This change was adopted retroactively and as a result retained earnings as of January 1, 1977 were increased by $409,000 being the adjustment applicable to prior years.

## 2. PROPERTIES, PLANT AND EQUIPMENT

| | 1978 | | | 1977 | | |
|---|---|---|---|---|---|---|
| | Assets | Accumulated provisions (thousands) | Net | Assets | Accumulated provisions (thousands) | Net |
| Oil and gas | | | | | | |
| Canada | **$400,944** | **$145,626** | **$255,318** | $335,914 | $121,447 | $214,467 |
| United States | **47,930** | **750** | **47,180** | 39,388 | 503 | 38,885 |
| Other foreign | — | — | — | 5,559 | — | 5,559 |
| Coal | | | | | | |
| United States | **129,118** | **9,982** | **119,136** | 112,121 | 6,284 | 105,837 |
| Mining | | | | | | |
| Canada | **6,982** | **132** | **6,850** | 5,983 | 132 | 5,851 |
| United States | **63** | **24** | **39** | 336 | 24 | 312 |
| Other | | | | | | |
| Canada | **11,154** | **3,422** | **7,732** | 8,753 | 3,146 | 5,607 |
| | **$596,191** | **$159,936** | **$436,255** | $508,054 | $131,536 | $376,518 |

## 3. INCOME TAXES

Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

| | 1978 (thousands) | 1977 |
|---|---|---|
| Capital cost allowance deducted for income tax purposes in excess of depreciation | **$ 1,022** | $ 9 |
| Exploration and development expenditures deducted for income tax purposes in excess of depletion | **16,017** | — |
| Foreign exploration written off in excess of deduction currently allowed for income tax purposes | **(2,456)** | — |
| Other | **(380)** | (266) |
| | **$14,203** | $ (257) |

Total income tax expense was $41,121,000 in 1978 and $44,084,000 in 1977, effective rates of 50% and 55% on earnings before income taxes respectively. Such income tax expense varies from the amounts that would be computed by applying the combined Canadian federal and provincial income tax rates of 47% to earnings before income taxes for the following reasons:

| | **1978** | | 1977 | |
|---|---|---|---|---|
| | **Amount** | **% of pre-tax earnings** | Amount | % of pre-tax earnings |
| | **(thousands)** | | (thousands) | |
| Computed income tax expense | **$38,556** | **47** | $37,622 | 47 |
| Increase (decrease) in income taxes resulting from: | | | | |
| Non-deductible royalties, mineral taxes and other expense less federal resource allowance and provincial rebates | **13,896** | **17** | 10,659 | 13 |
| Income tax depletion and frontier exploration allowances | **(10,364)** | **(13)** | (2,465) | (3) |
| Other | **(967)** | **(1)** | (1,732) | (2) |
| Income tax expense | **$41,121** | **50** | $44,084 | 55 |

4. LONG TERM DEBT

| | **1978** | 1977 |
|---|---|---|
| | (thousands) | |
| 9¾% notes due in 1998, subject to repayments commencing in 1981 ($30,000,000 U.S.) | **$31,172** | $ — |
| Bank loan due in 1984, with interest currently at 12% but subject to adjustment at least annually ($30,000,000 U.S.) | **31,169** | — |
| Commercial paper (see 4(a) below) | | |
| Issued at an average interest cost of 1978 — 10.0%; 1977 — 7.3% and maturing on varying dates within one year | **3,433** | 16,673 |
| Issued at an average interest cost of 1978 — 8.5%; 1977 — 6.8% and maturing on varying dates within one year (1978 — $246,000 U.S.; 1977 — $30,241,000 U.S.) | **286** | 30,769 |
| Bank loan with interest at 7.6% and due within one year (See 4(a) below) ($15,000,000 U.S.) | **—** | 15,363 |
| 10¼% office building mortgage due in 1994, subject to repayments commencing in 1980 | **12,000** | — |
| Other | **2,548** | 2,628 |
| | **80,608** | 65,433 |
| Less current portion | **1,052** | 11,074 |
| | **$79,556** | $54,359 |

(a) The commercial paper issued and $15,000,000 U.S. bank loan were made pursuant to a long term financing plan. The plan is supported by offers of credit facilities from Canadian and United States banks totalling $30,000,000 available in Canadian or U.S. funds and

$45,000,000 available in U.S. funds. Under the terms of the agreements the facilities expire as follows: 1979 — $13,000,000; 1980 — $25,000,000; 1981 — $14,000,000; and $23,000,000 until cancelled after 13 months notice. These credit facilities are subject to standby fees of 3/8 of 1% or less and may be reduced at the Company's option on 60 days or less notice, except as to $15,000,000 which requires 13 months notice. The Company also has the right to convert the facilities into term loans repayable in: 1979 — $13,333,000; 1980 — $34,333,000 and 1981 — $27,334,000.

(b) Long term debt repayments for the next six years are: 1979 — $1,052,000; 1980 — $1,149,000; 1981 — $4,122,000; 1982 — $2,075,000; 1983 — $1,895,000 and 1984 — $33,068,000.

(c) If the long term debt payable in United States funds were translated at the exchange rate in effect at the end of the year, long term debt would have been $88,500,000 at December 31, 1978 (1977 — $57,814,000).

## 5. LINES OF BUSINESS INFORMATION

The following relates to the Company's main lines of activity. Oil and gas operations are conducted primarily in Canada. All of the Company's coal operations are in the United States.

| | **1978** | 1977 |
|---|---|---|
| | (thousands) | |
| Income | | |
| Oil and gas | **$149,636** | $130,307 |
| Coal | **44,283** | 33,480 |
| Mining | **—** | — |
| | **$193,919** | $163,787 |
| Operating profit (loss) | | |
| Oil and gas | **$ 95,839** | $ 86,174 |
| Coal | **(4,813)** | (288) |
| Mining | **(1,111)** | (686) |
| | **89,915** | 85,200 |
| Less interest expense, foreign exchange gains and losses, and general corporate expenses | **7,880** | 5,154 |
| Earnings before income taxes | **82,035** | 80,046 |
| Income taxes | **41,121** | 44,084 |
| Net earnings | **$ 40,914** | $ 35,962 |

Depletion, depreciation, amortization and foreign exploration costs deducted in determining the above operating profits (losses) follows:

| | **1978** | 1977 |
|---|---|---|
| | (thousands) | |
| Oil and gas | **$ 30,488** | $ 23,819 |
| Coal | **4,000** | 3,012 |
| Mining | **1,111** | 686 |
| | **$ 35,599** | $ 27,517 |

The aggregate carrying value of assets for each line of business as at December 31, 1978 and 1977 is as follows:

| | 1978 | 1977 |
|---|---|---|
| | (thousands) | |
| Oil and gas | | |
| Canada | $315,612 | $310,049 |
| United States | 50,794 | 39,434 |
| Other foreign | — | 5,565 |
| Coal | | |
| United States | 138,148 | 121,540 |
| Mining | | |
| Canada | 6,850 | 5,851 |
| United States | 39 | 312 |
| Other | | |
| Canada | 7,704 | 5,607 |
| Other foreign | 9,036 | — |
| | $528,183 | $488,358 |

Gross revenue from oil and gas includes sales after royalties of 1978 — $66,802,000; 1977 — $55,512,000 to Alberta Petroleum Marketing Commission (a government agency which is the sole purchaser of oil in Alberta) and 1978 — $49,924,000; 1977 — $45,552,000 to Consolidated Natural Gas Limited (purchaser of gas from the Company's Ram River plant).

6. QUARTERLY FINANCIAL INFORMATION (Unaudited)

| | 1st Quarter | | 2nd Quarter | | 3rd Quarter | | 4th Quarter | |
|---|---|---|---|---|---|---|---|---|
| | 1978 | 1977 | 1978 | 1977 | 1978 | 1977 | 1978 | 1977 |
| | | | | (thousands) | | | | |
| Income | $39,925 | $37,619 | $46,870 | $35,523 | $50,320 | $43,035 | $56,804 | $47,610 |
| Expenses | 12,653 | 12,365 | 17,978 | 12,894 | 21,053 | 14,834 | 24,601 | 16,131 |
| Other deductions | 6,943 | 6,146 | 6,535 | 5,566 | 7,278 | 6,434 | 14,843 | 9,371 |
| Income taxes | 12,768 | 10,918 | 11,019 | 9,195 | 11,224 | 12,895 | 6,110 | 11,076 |
| Net earnings | $ 7,561 | $ 8,190 | $11,338 | $ 7,868 | $10,765 | $ 8,872 | $11,250 | $11,032 |
| Net earnings per share | $ 0.35 | $ 0.38 | $ 0.53 | $ 0.36 | $ 0.50 | $ 0.42 | $ 0.52 | $ 0.51 |

7. SUBSEQUENT EVENT

During January 1979 the Company purchased substantially all the shares of Universal Gas Co. Ltd., a company engaged in exploration and production of oil and gas principally in Alberta. The total acquisition cost, including shares still to be acquired and related expenses is expected to be approximately $23,000,000 being financed by bank loans.

8. OTHER INFORMATION

(a) Fees and remuneration paid to directors and officers follows:

| | 1978 | 1977 |
|---|---|---|
| Number of directors | **12(1)** | 10(4) |
| Number of directors who received fees as directors | **3** | 4(4) |
| Number of officers who are directors | **3(2)** | 2 |
| Aggregate directors' fees | **$15,000** | $17,000 |
| Number of officers | **12(3)** | 10(4) |
| Aggregate officers' remuneration | **$713,000** | $463,000 |

Notes:

(1) including three who ceased to hold office in 1978
(2) including one who ceased to hold office in 1978
(3) including two who ceased to hold office in 1978
(4) including one who ceased to hold office in 1977

(b) The Company through formal pension plans and coal union health and retirement benefit plans provides for pensions for substantially all employees. Costs for such plans which are funded as accrued were: 1978 — $2,061,000; 1977 — $1,673,000. The plans are fully funded.

(c) The annual rental obligations for buildings and equipment under long term leases are: 1979 — $3,193,000; 1980 — $2,691,000; 1981 — $2,129,000; 1982 — $1,676,000; 1983 — $1,398,000 and $3,090,000 thereafter. Actual rental expense for 1978 was $3,991,000 and 1977 was $3,501,000.

(d) The Company has provided certain information in Form 10-K with the United States Securities and Exchange Commission (a copy is available on request) with respect to the estimated replacement cost of certain assets and the related effect of such costs on depreciation expense for the year.

## *AUDITORS' REPORT*

The Shareholders
Aquitaine Company of Canada Ltd.

We have examined the consolidated balance sheet of Aquitaine Company of Canada Ltd. as at December 31, 1978 and 1977 and the consolidated statements of net earnings, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1978 and 1977 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta
February 13, 1979

Touche Ross & Co.
Chartered Accountants

# TEN YEAR SUMMARY OF FINANCIAL AND OPERATING DATA

## FINANCIAL (1)

| EARNINGS | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|---|---|---|---|---|---|---|---|---|---|---|
| Income | | | | | | | | | | |
| Sales — oil and gas liquids | **71,067** | 63,230 | 56,014 | 51,550 | 45,302 | 34,936 | 26,546 | 21,358 | 18,180 | 14,546 |
| — gas | **53,948** | 48,754 | 43,262 | 23,274 | 12,803 | 13,639 | 9,568 | 1,581 | 1,140 | 627 |
| — sulphur | **10,644** | 7,619 | 5,040 | 7,213 | 6,904 | (100) | 270 | 60 | 88 | 147 |
| — coal | **44,031** | 33,026 | 30,185 | 22,459 | — | — | — | — | — | — |
| Other oil and gas production income | **8,657** | 5,747 | 4,830 | 1,249 | — | — | — | — | — | — |
| Total production income | **188,347** | 158,376 | 139,331 | 105,745 | 65,009 | 48,475 | 36,384 | 22,999 | 19,408 | 15,320 |
| Investment and other income | **5,572** | 5,411 | 4,361 | 4,362 | 5,035 | 4,842 | 4,216 | 4,264 | 7,301 | 5,882 |
| Total income | **193,919** | 163,787 | 143,692 | 110,107 | 70,044 | 53,317 | 40,600 | 27,263 | 26,709 | 21,202 |
| Expenses | | | | | | | | | | |
| Operating — oil and gas | **14,840** | 13,771 | 12,038 | 10,612 | 8,374 | 6,331 | 5,179 | 2,083 | 2,373 | 2,192 |
| — coal | **42,332** | 28,072 | 21,862 | 16,607 | — | — | — | — | — | — |
| Administrative | **10,968** | 8,770 | 8,409 | 5,908 | 3,185 | 2,780 | 2,640 | 1,226 | 896 | 937 |
| Interest | **7,525** | 4,691 | 4,305 | 3,865 | 287 | 629 | 712 | 610 | 3,345 | 3,556 |
| Research | **620** | 920 | 944 | 1,039 | 841 | 716 | 890 | 600 | — | — |
| Depletion, depreciation and amortization | **29,917** | 27,517 | 25,245 | 23,605 | 20,609 | 19,521 | 12,242 | 5,566 | 4,501 | 2,944 |
| Foreign exploration costs written off | **5,682** | — | — | — | — | — | — | — | — | — |
| Total expenses | **111,884** | 83,741 | 72,803 | 61,636 | 33,296 | 29,977 | 21,663 | 10,085 | 11,115 | 9,629 |
| Extraordinary gain | — | — | — | — | — | — | — | — | 1,341 | 815 |
| Net earnings before income taxes | **82,035** | 80,046 | 70,889 | 48,471 | 36,748 | 23,340 | 18,937 | 17,178 | 16,935 | 12,388 |
| Income taxes — current | **26,918** | 44,341 | 26,879 | 14,640 | — | — | — | — | — | — |
| — deferred | **14,203** | (257) | 9,958 | 5,537 | 15,296 | 7,000 | 5,720 | 5,400 | 4,870 | 3,569 |
| Net earnings | **40,914** | 35,962 | 34,052 | 28,294 | 21,452 | 16,340 | 13,217 | 11,778 | 12,065 | 8,819 |
| Per share | **1.90** | 1.67 | 1.62 | 1.37 | 1.04 | 0.79 | 0.64 | 0.57 | 0.58 | 0.45 |
| Funds generated from operations | **90,718** | 62,738 | 69,765 | 57,018 | 57,357 | 42,861 | 31,179 | 22,744 | 20,095 | 14,517 |
| Per share | **4.21** | 2.91 | 3.32 | 2.76 | 2.78 | 2.08 | 1.51 | 1.10 | 0.97 | 0.75 |
| Dividend | **8,408** | 6,898 | 6,188 | 6,188 | 6,188 | 4,126 | 3,094 | — | — | — |
| Per share | **0.39** | 0.32 | 0.30 | 0.30 | 0.30 | 0.20 | 0.15 | — | — | — |
| Net earnings by lines of business | | | | | | | | | | |
| Oil and gas (2) | **95,839** | 86,174 | 74,184 | 50,716 | 38,317 | 24,940 | 19,877 | 17,788 | 18,938 | 15,129 |
| Coal (2) | **(4,813)** | (288) | 2,915 | 2,379 | — | — | — | — | — | — |
| Mining | **(1,111)** | (686) | (1,840) | (686) | (1,282) | (971) | (228) | — | — | — |
| Unallocated | **(7,880)** | (5,154) | (4,370) | (3,938) | (287) | (629) | (712) | (610) | (2,003) | (2,741) |
| Income taxes | **(41,121)** | (44,084) | (36,837) | (20,177) | (15,296) | (7,000) | (5,720) | (5,400) | (4,870) | (3,569) |
| **FINANCIAL POSITION** | | | | | | | | | | |
| Working capital | **30,899** | 24,995 | 24,880 | 6,757 | 18,689 | 14,350 | 9,996 | 28,598 | 24,278 | 55,928 |
| Investments and other assets | **12,804** | 6,539 | 7,227 | 3,621 | 3,986 | 3,575 | 5,955 | 5,840 | 5,532 | 4,797 |
| Properties, plant and equipment — net | **436,255** | 376,518 | 342,483 | 326,507 | 237,455 | 217,551 | 213,314 | 188,456 | 145,513 | 118,435 |
| Deferred income | — | — | — | 14,852 | 23,252 | 29,026 | 42,059 | 51,791 | 21,232 | 5,723 |
| Long term debt | **79,556** | 54,359 | 49,704 | 55,894 | 1,619 | 1,751 | 1,777 | 1,704 | 1,787 | 38,003 |
| Deferred income taxes | **78,524** | 64,321 | 64,578 | 54,620 | 45,846 | 30,550 | 23,550 | 17,830 | 12,430 | 7,560 |
| Shareholders' equity | **321,878** | 289,372 | 260,308 | 211,519 | 189,413 | 174,149 | 161,879 | 151,569 | 139,874 | 127,874 |
| **PROPERTIES, PLANT AND EQUIPMENT** | | | | | | | | | | |
| Gross investment | | | | | | | | | | |
| Oil and gas — Canada | **400,944** | 335,914 | 308,598 | 294,205 | 268,636 | 237,498 | 216,754 | 180,828 | 134,107 | 105,063 |
| — United States | **47,930** | 39,388 | 34,120 | 35,121 | 21,262 | 13,879 | 12,556 | 12,107 | 11,679 | 10,948 |
| — Other foreign | — | 5,559 | 5,074 | 1,278 | — | — | — | — | — | — |
| Coal — United States | **129,118** | 112,121 | 86,397 | 69,417 | — | — | — | — | — | — |
| Mining — Canada | **6,982** | 5,983 | 5,185 | 6,021 | 4,737 | 4,329 | 4,073 | 3,334 | 2,284 | 937 |
| — United States | **63** | 336 | 157 | 62 | — | — | — | — | — | — |
| Other — Canada | **11,154** | 8,753 | 8,753 | 8,753 | 8,753 | 8,753 | 8,752 | 8,751 | 8,574 | 8,219 |
| | **596,191** | 508,054 | 448,284 | 414,857 | 303,388 | 264,459 | 242,135 | 205,020 | 156,644 | 125,167 |
| Net investment | | | | | | | | | | |
| Oil and gas — Canada | **255,318** | 214,467 | 210,239 | 211,021 | 204,727 | 192,230 | 189,331 | 165,163 | 123,439 | 98,420 |
| — United States | **47,180** | 38,885 | 33,801 | 34,267 | 21,247 | 13,877 | 12,555 | 12,104 | 11,677 | 10,948 |
| — Other foreign | — | 5,559 | 5,074 | 1,278 | — | — | — | — | — | — |
| Coal — United States | **119,136** | 105,837 | 82,050 | 67,640 | — | — | — | — | — | — |
| Mining — Canada | **6,850** | 5,851 | 5,185 | 5,866 | 4,737 | 4,329 | 3,943 | 3,334 | 2,284 | 937 |
| — United States | **39** | 312 | 144 | 62 | — | — | — | — | — | — |
| Other — Canada | **7,732** | 5,607 | 5,990 | 6,373 | 6,744 | 7,115 | 7,485 | 7,855 | 8,113 | 8,130 |
| | **436,255** | 376,518 | 342,483 | 326,507 | 237,455 | 217,551 | 213,314 | 188,456 | 145,513 | 118,435 |

| CAPITAL EXPENDITURES | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|---|---|---|---|---|---|---|---|---|---|---|
| Oil and gas | | | | | | | | | | |
| Land acquisition and rentals | 14,496 | 10,606 | 5,868 | 3,752 | 6,285 | 3,021 | 3,760 | 1,683 | 3,041 | 15,479 |
| Exploration | 48,990 | 16,955 | 20,990 | 22,778 | 12,730 | 12,771 | 9,112 | 10,919 | 13,276 | 10,856 |
| Development drilling | 4,108 | 3,305 | 3,961 | 1,948 | 1,054 | 987 | 2,597 | 2,005 | 5,010 | 629 |
| Plant and equipment | 11,584 | 2,864 | 2,249 | 9,565 | 18,699 | 6,592 | 22,173 | 32,694 | 8,472 | 1,902 |
| Coal | | | | | | | | | | |
| Land acquisition | 249 | 2,744 | 1,641 | 2,807 | — | — | — | — | — | — |
| Exploration | 102 | 99 | 253 | — | — | — | — | — | — | — |
| Development | 1,434 | 6,760 | 1,614 | — | — | — | — | — | — | — |
| Plant and equipment | 15,782 | 17,741 | 13,725 | 5,623 | — | — | — | — | — | — |
| Mining | 1,849 | 1,521 | 1,230 | 1,817 | 1,690 | 1,523 | 802 | 1,050 | 1,347 | 763 |
| Other | 2,371 | — | — | — | — | 1 | 1 | 177 | 355 | 4,680 |
| | 100,965 | 62,595 | 51,531 | 48,290 | 40,458 | 24,895 | 38,445 | 48,528 | 31,501 | 34,309 |
| ACQUISITION OF OTHER COMPANIES | — | — | 16,690 | 60,646 | — | — | — | — | — | — |

## OPERATING

| SALES (2) | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|---|---|---|---|---|---|---|---|---|---|---|
| Oil and gas liquids (thousands of barrels per day) | | | | | | | | | | |
| Before royalty | 29.7 | 30.6 | 31.5 | 33.1 | 36.6 | 38.1 | 32.9 | 26.8 | 25.1 | 20.9 |
| After royalty | 16.0 | 17.0 | 18.1 | 19.8 | 22.9 | 31.6 | 27.4 | 22.3 | 20.9 | 17.4 |
| Gas (millions of cubic feet per day) | | | | | | | | | | |
| Before royalty | 145.5 | 156.5 | 174.9 | 180.0 | 194.7 | 212.3 | 151.7 | 33.2 | 24.1 | 11.6 |
| After royalty | 92.1 | 104.8 | 124.7 | 149.7 | 175.6 | 197.1 | 136.0 | 29.0 | 21.1 | 10.2 |
| Sulphur (thousands of long tons) | | | | | | | | | | |
| Before royalty | 630 | 541 | 309 | 273 | 457 | 136 | 88 | 8 | 9 | 21 |
| After royalty | 545 | 473 | 273 | 244 | 434 | 131 | 73 | 7 | 8 | 19 |
| Coal (thousands of short tons) | 1,264 | 1,248 | 1,376 | 998 | — | — | — | — | — | — |
| SULPHUR PRODUCTION (thousands of long tons) | 981 | 1,025 | 983 | 879 | 976 | 1,013 | 472 | 27 | 25 | 25 |
| NET ACREAGE HOLDINGS (thousands) | | | | | | | | | | |
| Oil and gas — Canada | 25,009 | 32,690 | 35,181 | 18,838 | 25,273 | 27,552 | 31,594 | 37,167 | 43,061 | 42,463 |
| — United States | 367 | 414 | 448 | 547 | 152 | 24 | 24 | 24 | 24 | 7 |
| — Other foreign | — | 388 | 388 | 836 | — | — | — | — | — | — |
| Coal — United States | 26 | 30 | 33 | 32 | — | — | — | — | — | — |
| Mining — Canada | 99 | 117 | 209 | 371 | 1,075 | 1,484 | 2,523 | 2,358 | 3,501 | 2,419 |
| RESERVES (before royalties) (2) | | | | | | | | | | |
| Oil and gas liquids (millions of barrels) | 126 | 132 | 142 | 153 | 165 | 177 | 191 | 224 | 235 | 259 |
| Gas (billions of cubic feet) | 722 | 672 | 712 | 823 | 880 | 950 | 1,090 | 1,200 | 1,119 | 745 |
| Sulphur (millions of long tons) | 11 | 12 | 13 | 13 | 13 | 13 | 14 | 13 | 10 | 3 |
| Coal (millions of short tons) | 68 | 56 | 57 | 57 | — | — | — | — | — | — |
| **EMPLOYEES** at year end | 1,086 | 888 | 802 | 751 | 354 | 348 | 350 | 335 | 272 | 270 |
| **SHARES OUTSTANDING** (thousands) at year end | 21,558 | 21,558 | 21,558 | 20,628 | 20,628 | 20,628 | 20,626 | 20,616 | 20,613 | 20,606 |

## SIGNIFICANT EVENTS

1971 — Acquisition of Banff Oil Ltd. completed. The above information for 1969 and 1970 includes the operations of Banff as the acquisition was accounted for partly as a "pooling of interests" and partly as a "purchase".

1972 — Production commenced from Strachan-Ricinus fields.

1975 — Acquisition of Westrans Industries, Inc. (now Aquitaine Pennsylvania, Inc.) completed. With this acquisition the Company commenced operations in the coal business.

1976 — Acquisition of Elf Oil Exploration and Production Canada Ltd. completed. The acquisition resulted in the addition of some 19 million net acres, primarily in the frontier areas of Canada.

— Sale of certain United States oil and gas properties and Beacon Hill gas field.

## NOTES:

(1) All dollar amounts, except amounts per share, are in thousands of Canadian dollars.

(2) Oil and gas operations are primarily in Canada; coal operations are in the United States.

# Corporate Directory



## DIRECTORS

**WILLIAM D. CLARK**
Senior Vice-President, Aquitaine Company of Canada Ltd., Fribourg, Switzerland

**BERNARD F. ISAUTIER****
President, Aquitaine Company of Canada Ltd., Calgary, Alberta

**D. CARLTON JONES***
President, Carlton Resource Management Ltd., Calgary, Alberta

**FRANCOIS MOREL*****
Area Manager for North America, SNEA (P), Pau, France

**JACQUES PAVARD* *****
Manager for Americas - Australia, SNEA, Paris, France

**NEIL F. PHILLIPS***
Partner in the law firm of Phillips & Vineberg, Montreal, Quebec

**LOUIS J. PRADAL**
Deputy Coordinator for Western Hemisphere and South Pacific, SNEA, Pau, France

**GILBERT RUTMAN**
Vice-Chairman and Executive Vice-President, SNEA, Paris, France

**GORDON D. deS. WOTHERSPOON***
Chairman of the Board of Directors, Eaton/Bay Financial Services Limited, Toronto, Ontario

* Member of the Audit Committee

** Bernard F. Isautier replaced Jacques Payan as President in September, 1978

*** François Morel and Jacques Pavard replaced Claude Menetrier and Michel Rapaccioli as directors during the year.

## OFFICERS AND KEY PERSONNEL

**BERNARD F. ISAUTIER**
President

**WILLIAM D. CLARK**
Senior Vice-President

**JACQUES BRANGER**
Vice-President Production

**PIERRE E. GODEC**
Vice-President Finance and Treasurer

**MICHAEL E. HRISKEVICH**
Vice-President Exploration

**JEAN-JACQUES PASCAL**
Vice-President Coal

**W. STEWART WRIGHT**
General Counsel and Corporate Secretary

**WILLIAM R. PERROTT**
General Manager Administration and Services

**JOHN F. WHITWORTH**
Controller

**ROBERT C. MURRAY**
Manager, Marketing

**EDMUND P. ABOUSSAFY**
Assistant Treasurer

**LAWRENCE M. MACLEOD**
Assistant Secretary

## AUDITORS

Touche Ross & Co.
Calgary, Alberta

## REGISTRARS AND TRANSFER AGENTS

Montreal Trust Company, Calgary, Montreal, Toronto and Vancouver
First National City Bank, New York

Copies of the Company's Annual Report in Form 10-K filed with the United States Securities and Exchange Commission are available without charge upon request to the Secretary of the Company.

Si vous préférez recevoir le rapport annuel de la compagnie en français, veuillez en informer le Secrétaire, Société Aquitaine du Canada Ltee., 540 5th Avenue S.W., Calgary, Alberta, Canada T2P 0M4

## EXCHANGE LISTINGS

Toronto Stock Exchange
Montreal Stock Exchange
American Stock Exchange

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held on the 25th of April, 1979 at 10:00 a.m. in the Auditorium, 2nd Floor, Aquitaine Tower, Calgary, Alberta.

AQUITAINE COMPANY OF CANADA LTD.

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